Austria	Sch22	Indonesia	Rp3100	Oman	Dr.1
Bahrain	Din0.700	Iran	Rls100	Philipines	Peso40
Belgium	BFr50	Israel	NS3.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L1700	Qatar	Qr8.50
Denmark	DKr10.00	Jordan	Fils500	S.Arabia	Rls7.50
Egypt	E£2.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	$250.00	Spain	Pta145
France	FFr7.00	Lux	LFr50	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr120	Morocco	Dh6.00	Thailand	Bt50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800
Iceland	Kr125	Nigeria	Naira10	Turkey	L800
India	Rup15	Norway	Nkr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,840 — Thursday May 11 1989 — D 8523A

FRANCE

Code Napoléon meets its Waterloo

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World News

Rafsanjani withdraws call to kill Westerners

Iranian Parliamentary Speaker Ali Rafsanjani has backtracked on his recent suggestion that Palestinians should pursue a terrorist campaign against Westerners, in a move seen as a withdrawal. Page 18

UK adamant on EMS

Lord Young, UK Trade and Industry Secretary, reinforced a growing conviction that Mrs Thatcher is determined to resist pressure to join the European Monetary System. Page 18

Tanks meet unrest

Soviet tanks were deployed in the capital of the troubled province of Nagorno-Karabakh as the Kremlin faced a resurgence of unrest. Page 2

Nato N-meeting

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H-bomb inquiry

Japan has asked the US for full details of a 1965 incident in which an H-bomb was lost near Okinawa. Page 6

Hungarian changes

Hungarian authorities launched sweeping changes aimed at tackling economic problems. Page 2

Bonn refugee law

West German cabinet approved a law restricting ethnic German refugees to certain areas to ease housing pressure on some states.

Argentine debate

Argentine presidential candidate Eduardo Angeloz staged a TV debate with an empty lectern, left vacant by Peronist Carlos Menem. Page 3

Egyptian denial

Officials denied that Egyptian prisons housed political prisoners and tortured accused criminals. Page 6

Peking daily march

Peking students marched on China's Communist Party mouthpiece, the People's Daily. Page 6

Hindi TV channel

A group of UK businessmen plan to launch a satellite TV channel in Hindi aimed at Asians in Europe. Page 2

Bush turns green

US President George Bush is to propose an international conference on environmental issues. Page 3

German arrest

Former chairman of a West German firm alleged to have helped Libya make a suspected chemical weapons plant was arrested. Page 2

Egyptian loan

Moscow is to lend Cairo $120m in an bid to improve ties with Egypt. Page 7

Swedish austerity

Austerity measures were announced in Sweden involving a compulsory savings scheme. Page 2

FSX under attack

US officials defended a US-Japanese agreement to develop the FSX fighter aircraft from an attack by the Senate Foreign Relations Committee.

Business Summary

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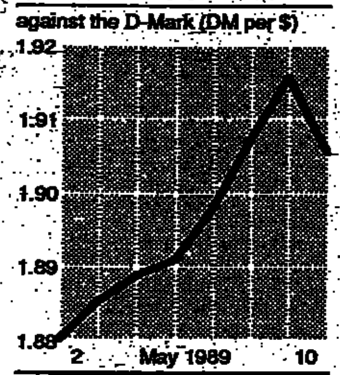
The Financial Times is planning to launch a new financial and business daily newspaper in the Netherlands in a joint venture with Elsevier, the Dutch-based international publishers. Page 19

THE DOLLAR eased back against the D-Mark and other currencies in London. Profit-taking pushed it back to close

Dollar

against the D-Mark (DM per $)



at DM1.9050 compared with DM1.9155 on Tuesday. In New York, the dollar had eased by lunch to DM1.896 from an opening DM1.90475. Page 38

VIACOM, US television group, has filed anti-trust challenges to the proposed merger of Time and Warner Communications. Page 22

INTERNATIONAL Thomson Organisation, Canadian publishing group is poised to merge with Thomson Newspapers to form one of the world's largest information companies. Page 22

REPSOL, the Spanish oil conglomerate, is increasing its $1bn flotation by 10 per cent to meet heavy share demand. Page 19

AIR EUROPE, the UK airline, claims Lufthansa, the West German carrier, is unfairly refusing to accept its tickets. Page 8

MEXICO'S inflation rate during April was 1.5 per cent, the lowest monthly figure since November 1979. Page 3

IRANIAN leader Ayatollah Khomeini has given the go-ahead for foreign borrowing to finance major industrial projects. Page 18

EPSON, Japanese computer manufacturer, said Far East companies might take over European companies to avoid EC trade restrictions. Page 7

SAGA PETROLEUM, Norway's largest independent oil company, posted a increase in net income. Page 22

ASIA SECURITIES International, a Hong Kong property company, reported profits of $20m. Page 23

POWER Financial Corporation, of Canada, is redeploying $463.5m in US and European expansion. Page 22

TIGER OATS, one of South Africa's largest food groups, lifted sales and profits by a third. Page 23

BP and Cepsa, Spain's largest private oil refiner, are to form a $50m joint chemical venture. Page 20

NIPPON LIFE, Japan's biggest insurance group, has taken a 1.3 per cent stake in Kansai-Kisen Osaka-Painkki (KOP), Finland's leading commercial bank. Page 24

SUNTORY, Japanese drinks group, is acquiring a stake in the Bordeaux wine interests of the French GMF insurance group. Page 23

STEETLEY, UK construction materials group, has purchased an 80 per cent stake in Arberia, a Madrid-based construction group. Page 29

ALITALIA, The Italian state airline, is to be reorganised in a bid to stamp out inefficiency. Page 23

Fiat makes peace with unions after decade of hostility

By John Wyles in Rome

FIAT, Italy's largest private company, made its peace yesterday with the trade union movement after a decade of mutual hostility as a four-hour general strike brought sections of the economy to a halt.

Those union leaders not addressing strike rallies triumphantly referred to the Fiat accord as a "turning point" in their relations with the old enemy.

Among other things, the agreements provide for regular three-monthly plant-level consultations within Fiat's automotive companies, an expansion of union-management joint committees to embrace new issues such as the environment, and company support for training of factory delegates on such capitalist matters as reading a balance sheet and understanding markets.

Last night the company said it thought the unions' claims for the agreement to be a little "excessive," but it acknowledged that the effect was to strengthen the unions' legitimacy after years in which the company felt safe to ignore them. Since it broke the shop stewards' movement by winning a crucial 10-week strike in 1980, only about 30 per cent of its workforce is unionised.

A partial rapprochement was achieved last summer with the first company-level pay agreement at Fiat Auto for nine years.

However, relations then turned very sour at the beginning of the year amid allegations that the company was systematically encouraging workers at its Alfa Romeo subsidiary to tear up their union cards.

The new agreement is the direct result of the management-union discussions which Mr Rino Formica, the Minister of Labour, requested in the midst of that dispute. "We have always said that we want a constructive dialogue with the unions and this agreement should help us to have one," said a Fiat spokesman last night.

The agreement is a useful corrective to Fiat's image, which took a severe battering earlier in the year. It offers the prospect of an improvement in communications at plant level which Fiat itself has come to feel is required.

It will offer the unions an opportunity to discuss problems arising from management decisions, but not to negotiate. Fiat is adamant that all collective bargaining must be handled between top management and national union leaders.

These were making predictable claims last night about the success of Italy's fourth general strike of the 1980s. Called by the three main union confederations to protest at the Government's imposition of new charges for a generally unsatisfactory health service, the strike disrupted output at many of Italy's largest factories, halted transport services and paralysed public administration in many parts of the country.

According to the unions, 150,000 people flocked to a rally in Florence, 100,000 in Milan, 30,000 in Turin, 45,000 in Bologna and 20,000 in Rome.

Art market jumps for joy, and Picasso, and plenty of others

By Antony Thorncroft in London

THE art market took another of its now regular upward leaps at Sotheby's in New York on Tuesday night when in less than two hours some 60 top quality Impressionist and modern paintings and sculptures sold for a record $204.82m, almost doubling the previous return from an auction.

Sensation followed sensation with numbing predictability. The highlight was the $47.85m paid for Picasso's 1901 self portrait "Yo Picasso" which shows him sitting in front of an easel boldly staring out at the world. It immediately made his name and in 1912 was bought by the poet Hugo von Hofmannsthal with the money he made from writing the libretto to the opera Der Rosenkavalier.

Sotheby's had put a $20m top estimate on the picture, which sold for $5.8m in 1981; eventually it was knocked down as the most second most expensive work of art sold at auction, exceeded only by Van Gogh's "Irises" bought by Alan Bond for $53.9m in 1987.

As well as the record price paid for Picasso, two more modern masters set new highs – Gauguin and Cezanne. The Gauguin, "Mata Mua," dates from his first trip to Tahiti in 1892 and shows two young girls in the foreground while older women dance round a stone figure behind. It sold for $24.2m, within its estimate.

Good Gauguins rarely appear on the market. It was one of eight paintings sent for sale by Mr Jaime Ortiz Patino of the Bolivian tin family. He had bought it at Sotheby's in 1984 for $3.85m, sharing the cost with his friend, Baron Thyssen. The buyer yesterday was Baron Thyssen who, as part vendor, will not have to pay the full fee, leaving a nice problem over charges.

Altogether Mr Patino will be $67.8m richer (before Sotheby's deductions) through selling the paintings, rather making nonsense of his reason for the dispersal – that he could no longer afford to buy top notch Impressionist art. His Cezanne, a classic still life, "Pichet et fruits sur une table" went for £6.5m.

In all, 44 works topped the $1m, illustrating Sotheby's success in promoting art as a good investment

US enlists Latin American aid to remove Noriega from office

By Lionel Barber in Washington and Tim Coone in Panama City

THE US and the leading Latin American states are preparing a co-ordinated diplomatic effort in an effort to persuade General Manuel Antonio Noriega of Panama to step aside as military leader.

The moves came amid renewed violence in Panama City yesterday in which police using birdshot and tear gas broke up an opposition demonstration. Mr Guillermo Endara, the opposition presidential candidate, was taken to hospital with a head wound, though friends said he was not seriously hurt.

In the wake of last Sunday's rigged elections in Panama, the Latin Americans have urged the Administration not to resort to military force but to build a consensus in the region to isolate the Noriega regime.

One plan under review is for foreign ministers of the Group of Eight, which links the principal Latin American states, to fly to Panama this week to confront Gen Noriega and to try to produce a deal for his removal from power. The Group of Eight consists of Mexico, Venezuela, Uruguay, Brazil, Argentina, Colombia, and Peru. Panama, the eighth member, has been suspended and may be expelled.

One suggestion in the Latin diplomatic community is for the US to offer to drop drug trafficking indictments against Gen Noriega in return for his agreement to leave Panama. Last year, Spain was prepared to accept Gen Noriega and is still willing, a senior Latin American diplomat has said.

As part of the pressure on the General, the Group of Eight may officially recognise the victory of ADOC, the opposition alliance, over Colina, the pro-government grouping, a Latin American diplomat said.

Sixty hours after polling stations closed, the Government had still to publish a final result. Official figures based on returns from the interior of the country give Mr Carlos Duque, the pro-government candidate, 66 per cent against only 32 per cent for Mr Guillermo Endara, ADOC's candidate.

No official results have yet been published for the capital, where there have been widespread reports of voting returns being destroyed or altered.

But independent surveys of polling returns, including one done by the Roman Catholic church, indicate a landslide victory to Mr Guillermo Endara, with some 75 per cent of the vote.

The US is waiting for Panama formally to declare the election results before announcing concrete steps, although on Tuesday night Mr Bush called on Gen Noriega to accept the opposition's victory.

Options under consideration include strengthening the 10,000 US troops in Panama who form the Southern Command, fresh economic sanctions, and a withdrawal of US dependents and diplomats.

The Panama crisis represents Mr Bush's first big foreign policy challenge. In contrast to the Reagan Administration, which tried unsuccessfully to remove Gen Noriega last year, Mr Bush appears anxious to win the support of Latin American states by rallying them under the banner of democracy.

From the Latin American side, the diplomatic offensive is being led by Peru and Venezuela. The Venezuelan Govern-

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US tries to divide Panama army, Page 3; Editorial comment, Page 16

Taiwanese may use reserves to back Brady

By Peter Riddell, US Editor, in Washington

TAIWAN may use some of its large foreign exchange reserves to support the US-inspired strategy to reduce the borrowings of the most heavily indebted Third World countries.

Mr David Mulford, US Treasury Under-Secretary for International Affairs, told a Senate committee in Washington yesterday that there had been "some discussions with Taiwan, indicating to them that we think this represents an opportunity for them. They've indicated in a very general way some interest in this."

He argued that Taiwan, with about $80bn in foreign exchange reserves, had a role to play in correcting world economic imbalances. There have been lengthy discussions between the US and Taiwan over the impact of its large trade surpluses and alleged manipulation of its currency.

A US Treasury report two weeks ago welcomed changes in Taiwan's exchange rate system but said that so far the appreciation of its currency had been insufficient. Any Taiwanese support for the debt reduction plan would be seen in Washington as a contribution to easing previous tensions.

In his testimony yesterday, Mr Mulford sought to put fresh impetus behind the debt reduction plan launched two months ago by Mr Nicholas Brady, US Treasury Secretary, in the face of recent criticisms and the absence of progress in key negotiations over Mexico's large debts.

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Baker assurance on US-Soviet ties

By Bruce Clark in Moscow

MR JAMES BAKER, the US Secretary of State, yesterday reassured Mr Eduard Shevardnadze, his Soviet counterpart, of Washington's willingness in principle to resume the rapid improvement in Soviet-US ties that took place under President Ronald Reagan.

An announcement by Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, that strategic arms talks would probably resume on June 12 or 19, set the seal on a day of talks in which the overall tone was described by a US official as "very good."

Mr Gerasimov made clear that the talks had boosted Moscow's hopes that the hiatus in Soviet-US relations requested by the Bush Administration was coming to an end.

"I hope the pause is now drawing to a close. The talks began in a promising and constructive spirit, and we hope that they will yield good results," he said.

Yesterday's meeting, at the request of the US side, focused strongly on regional conflicts. Officials of both countries said their positions had moved much closer over Central America, and they saw room for co-operation over the Middle East.

But Mr Baker reassured the Soviet side that any broadening of the US-Soviet agenda would not be at the expense of arms control, a top priority for Moscow.

Officials close to President Mikhail Gorbachev, whom Mr Baker meets today, had made plain Soviet impatience over US "dithering" on arms control and other issues, which had led to a six-month break in the strategic arms talks.

Although Mr Shevardnadze was quoted by some reporters as saying, as the talks began, that the issue of short-range weapons was likely to come up, there was no indication that it was in fact discussed yesterday.

Any stress by the Soviet side on short-range nuclear arms would be seen by the US as highly provocative and fuel suspicions that Mr Shevardnadze, who visits Bonn in a few days' time, was trying to exploit Nato's divisions over the issue.

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Compromise sought, Page 18

Avon receives hostile $2.1bn takeover bid from Amway

By Karen Zagor in New York

AVON PRODUCTS, the world's biggest maker of cosmetics and toiletries made famous by its door-to-door saleswomen, has received a takeover bid of $39 a share, worth about $2.1bn from Amway Corporation, a privately held distributor of domestic products.

It was not immediately clear from either company what role Mr Irwin Jacobs, a Minneapolis-based investor, had played in the bid.

It was assumed that he was involved in the offer because Mr Jacobs had earlier joined forces with Amway to form a partnership which bought 10.3 per cent of Avon's common stock. In an SEC filing, Mr Jacobs was described as the managing partner.

In a letter to the Avon board, Amway said it would have sufficient financing to complete the offer. The company added that it would have bank loans in place by the time a definitive agreement was reached.

Shares in Avon rose above the offer price on high volume trading. The stock closed yesterday at $39⅝, up $3⅛ on the New York Stock Exchange. It was the most active issue on Wall Street.

Most analysts seemed to feel that the Amway offer was fair. They said that Avon was a natural target for Amway. Both companies rely on part-time sales agents and highly motivated franchisees.

So far Avon's defensive tactics have been limited to legal action. On Monday the company filed a suit against the Jacobs-Amway partnership in the New York State court alleging a violation of the disclosure requirements of the federal securities laws.

Avon has asked the court to prevent Jacobs-Amway from acquiring additional shares in Avon.

The suit claims that Jacobs and Amway have failed to disclose the risk involved in the acquisition of Avon and that they have unlawfully concealed their purposes and intentions in acquiring Avon stock.

According the the suit, Amway has legal problems which include "a prosecution for defrauding the Canadian government that resulted from what the Ontario Supreme Court called a 'web of deception' through which Amway evaded payment of tens of millions of dollars in customs duties."

Amway was recently sued for violating a Federal Trade Comission order to cease and desist from misrepresentations in recruiting new distributors and paid a $100,000 fine.

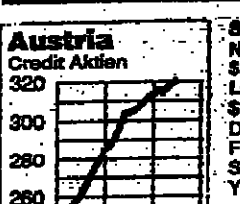
Avon descibes Mr Jacobs in the suit as "a well known raider who has not completed an acquisition for many years or any acquisiton for significantly more than $500m."

The description of Amway is no more flattering.

The Michigan-based company is referred to as "a controversial purveyor of a pyramidal direct marketing scheme that has never made a major acquisition."

MARKETS

Austria Credit Aktien



STERLING
New York close
$1.67385 (1.6845)
London:
$1.6720 (1.6805)
DM3.1850 (3.1800)
FFr10.7550 (10.7400)
SFr2.8300 (same)
Y224.75 (223.75)

DOLLAR
New York close
DM1.9015 (1.9115)
FFr6.4205 (6.4515)
SFr1.6910 (1.6953)
Y134.40 (134.62)
London:
DM1.9050 (1.9155)
FFr6.4325 (6.4575)
SFr1.6925 (1.7040)
Y134.40 (134.80)

INTEREST RATES
US lunchtime
Federal Funds 9¾% (9¾)
3-mth Treasury Bills: yield: 8.828% (8.818)
Long Bond: 97¼ (97⅝)
yield: 9.102% (9.093)
London
3-month interbank close 12 13/16% (12½)

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,374.45 (+3.12)
S&P Comp 306.02 (+0.83)
London:
FT-SE 100 2,117.0 (-8.1)
World 144.57 (Tues)
Tokyo
Nikkei Ave 33,992.35 (-39.52)
Frankfurt
Commerzbank 1,711.3 (-0.7)

OIL
Brent 15-day (Argus) $17.95 (-0.15) (June)
West Tex. Crude $19.525 (-0.35) (June)

GOLD
New York latest
Comex June $380.0 (380.3)

CONTENTS

Egypt sees a militant response to the Islamic tendency

A dilemma confronting President Mubarak of Egypt is how he should react to Moslem extremists who are seen as both elusive and threatening. For the moment, he appears to have decided that force is the answer
Page 6

Brussels defers decision on Japan car import quotas

By William Dawkins in Brussels

DIVISIONS IN the European Commission have forced it to defer until June 7 a long-awaited decision on whether to make it official policy to demand the end of national quotas on Japanese car imports.

It was to have debated the plan, the main point in a wide-ranging policy paper for the car industry, at its weekly meeting yesterday, but senior officials pulled the plan off the agenda *to give more time to* iron out differences.

Industry officials in Brussels are pessimistic about the chances of a quick agreement.

The paper is based on controversial proposals unveiled by Mr Martin Bangemann, the Internal Market and Industry Commissioner, to a meeting of Community Industry Ministers in Spain last month.

It calls for national import quotas to be phased out between 1990 and the end of 1992 and recommends that cars should not be subject to specific rules on local content.

Bilateral import curbs of varying degrees of legality are operated by France, Italy, Britain, Spain and Portugal. They represent two-thirds of EC car purchases and 60 per cent of Community car production.

Mr Bangemann's paper calls for adoption of a full set of mandatory Community technical standards to allow cars for *the first time to obtain a single* type-approval for all 12 EC countries.

The document represents a marked change from the previous Commission's willingness to concede that the car industry deserved special protection in the run-up to the 1992 single market.

Sir Leon Brittan, the Competition Commissioner, Mr Frans Andriessen, in charge of External Affairs, and the Brussels executive's senior industry advisers all support Mr Bangemann's line.

But French and Italian Commission members are urging that a more cautious form of liberalisation, in line with the views of their own countries' car producers, should be adopted.

The heart of the debate is over the protectionists' wish to replace national quotas with a temporary EC-wide import restraint accord. Mr Bangemann and his liberal colleagues argue that a Community car import quota is unnecessary and could contravene the General Agreement on Tariffs and Trade.

The German Commissioner is prepared to compromise with some form of temporary monitoring of the flow of Japanese imports into the five countries now protected by quotas. But he is not prepared to apply any restrictions to the other seven national markets *that are now open.*

Sweden squeezes credit in bid to cool down economy

By Robert Taylor in Stockholm

AUSTERITY measures were announced in Sweden yesterday involving a temporary compulsory savings scheme and a credit squeeze designed to cool down the overheated economy. But this amounts to a serious defeat for Mr Kjell-Olof Feldt, the Finance Minister, who has been forced to drop all his proposals announced three weeks ago in a mini-budget to raise indirect taxes and employers' insurance contributions.

Some observers believe it has raised a serious question mark over his future and brought into doubt the government's entire economic strategy. There are particular worries now that Mr Feldt will be unable to carry through his radical tax reform proposals announced last autumn, designed to shift the tax burden in Sweden away from individuals and increasingly onto services and capital.

The compulsory savings scheme to last for the next sixteen months to the end of 1990 covers all Swedes as well as companies and public authorities. It will mean that they will have to pay 4 per cent of their taxes from this September into a blocked savings account. The government believes this will take an estimated SKr17bn (£1.59bn) out of the economy and help dampen down demand. The plan is designed to hit the better off more than those on average or below average earnings. It means, for example, that someone earning SKr10,000 a month (about £950) will have to pay around SKr140 in savings, while a person earning SKr20,000 will pay SKr400 in savings.

The money raised as savings this year will be repaid in April 1992 and the money raised next year will be repaid in April 1993. The interest paid on the savings will be 6 per cent over the period that the scheme exists to the end of 1990 and thereafter the interest will be the same as the discount rate. It will not be taxed.

At the same time the Ministry of Finance announced a package of measures to make it more difficult for people to use credit. From 1 June, down payments on a purchase will have to amount to 60 per cent of the total cost of the goods bought, compared with a present proportion of 40 per cent for most purchases and 50 per cent for cars. It also means that borrowers will be forced to pay at least 60 per cent of the amount owing on their credit cards at the end of each month.

The government would also like to see a much tighter control by the banks and finance companies in the provision of credit to their customers, suggesting that the present borrowing by households has turned into a 'social problem'. It proposes the establishment of a debt restructuring institute, under which banks and finance companies would take responsibility for the problems of household debt.

However, leading analysts in Stockholm were doubtful yesterday whether the package would do much to cool down the economy. PK Banken's chief economist, Mr Nils Lundgren, thought that the compulsory savings would take only SKr3.4bn out of the economy. Others agreed with him. "What is proposed will not do much to remedy the country's problems. It is much too little. The economy will stay overheated," said one observer.

Mitsotakis rules out Pasok link

By Andriana Ierodiaconou in Athens

THE LEADER of Greece's Conservative opposition, Mr Constantine Mitsotakis, has ruled out the possibility of a coalition between his New Democracy party and elements of the ruling Panhellenic Socialist movement (Pasok) after next month's general election.

An April nationwide poll appearing in the Greek press last week showed the Conservatives to be leading with 39 per cent of the vote, Pasok to be running a poor second with 29 per cent, and 15 per cent of voters undecided.

Both the proportion of undecided voters and the system under which the election on June 18 is to be carried out leave some doubt as to whether the Conservatives will achieve a solid majority of seats in Greece's Parliament.

Securing an absolute majority depends not only on the percentage of votes won by the first party but also on the magnitude of the lead against the second party. The performance of the Communist coalition, which is running third in the polls with 14 per cent, will thus be crucial.

These considerations had led to speculation that New Democracy might seek to pull together a workable majority of seats by forming a post-election coalition with moderate elements in Pasok.

But in an interview with German radio this week, Mr Mitsotakis reportedly ruled out this option. He was reported as saying that if balloting failed to yield a clear-cut result, New Democracy would call for a new election.

The Pasok Government's popularity has been eroded in the past nine months, mainly as a result of the financial scandal involving the former banker and press baron Mr George Koskotas which has implicated a number of Socialist officials.

Other contributing factors have been the ill health of Mr Andreas Papandreou, the 70-year-old Prime Minister, and his much-publicised extra-marital affair with a younger woman.

Norwegian films find path to recognition

Karen Fossli in Oslo looks behind the scenes of an industry constrained by costs

NORWAY'S film industry, such as it is, is frustrated by the limitations posed by a domestic population of just 4.2m and government subsidies on which it has become hooked to survive.

It made its first significant international breakthrough with the 1987 release of the film *Pathfinder* (*Veiviseren* in Norwegian), which was nominated the following year for an Oscar by the American Film Academy for best foreign film. This success, however, by no means presaged a trend.

Before it was released domestically, *Pathfinder* was sold internationally to the London-based Carolco distribution company which has sold films all over the world.

Pathfinder's sound production was engineered by Britain's Pinewood Studios, but almost everything else about the film is totally ethnic; so much so, that it relied heavily on a cast of Norwegian Lapps, the country's indigenous Indians, and was the first Norwegian feature film to be shot in the Lapp language.

Norway's film industry is overseen by the Ministry of Cultural and Scientific Affairs which adminster annual government subsidies of about *NKr50m ($7.2m). The money is* split between Norsk Film, the state-owned film maker established in 1932, which gets about NKr20m, with the remainder to be fought over between the 13 largest production companies and myriad smaller ones.

The subsidy system was created to enable films to be produced in the Norwegian language as a form of cultural expression inspired by Norwegian life, reality and myths. According to Ms Kirsten Bryhni, a senior executive and producer with the Norwegian Film Institute, the Norwegian film industry serves largely as a monument to the moral conscience of Norway's politicians.

Cinema in Norway has a stormy history, because of this moral conscience. The industry dates back to 1907 when the first feature film, *The Perils of a Fisherman*, was released by Hugo Hermansen. His death in 1908 left Norway with just one other film-maker, Peter Lykke-Seest, who concluded, after his sixth and final film, that "too much risk is involved in Norwegian film production to merit the interest of serious private or corporate investors." That was in 1919, but it is an accurate description of the industry's current state of affairs.

After some limited success, Norwegian film-making did not really resume until after World War One, when it staged a fairly strong recovery.

By 1947, the Government support system for Norwegian films was established. However, film-making suffered in the 1960s when attendances fell after the advent of television.

Though Norwegian film-making today is by no means prolific it has become technically competent. The average cost of a Norwegian film production is between NKr11m and NKr12m, or about one-*tenth of what it costs to produce a film in the US.*

With a Government subsidy budget of just NKr50m, only about four or five films – or up to 10 in a good year – are produced annually. This, according to Mr Harald Ohrvik, a film producer who recently left Norsk Film to become an independent contractor, is far too few and this limits the dynamism of the movement.

Operational costs in Norway are high, though Norwegian film-makers are not burdened with "star fees" or "star director fees," like in the US. Mr Ohrvik confessed that in Norway "you don't get rich by making films" though what is hoped for is a good showing at international film festivals.

Stills from Pathfinder

This is promoted under an umbrella which markets "Scandinavian" films. To qualify for government subsidies equivalent to 55 per cent of the gross box-office receipts, each Norwegian film must have a duration of at least 75 minutes and must be produced in the Norwegian language, with Norwegian capital and with a "preponderance" of Norwegian technical personnel.

At the outset, these restrictions limit the scope of the audience which Norwegian film-makers could hope to attract, thereby limiting profits. So even if Norwegian film-makers focus on popular themes, such as spy intrigues, the possibility of achieving international success is limited and rests almost solely on the film-maker's innovation and creativity to produce a film with universal appeal.

This was not the case with *Orion's Belt*, an action spy film which achieved domestic success but which failed to win any international acclaim. Released in 1986, it ranks third in gross domestic ticket sales – it gleaned NKr14.1m – though internationally it was simply rated as a "B-film" shot in Norwegian with no star attractions.

However, it marked the start of a trend in Norwegian spy films. A recent release, *Karachi*, produced by Mr Ohrvik, was recently favourably reviewed in *Variety*, the film-maker's bible.

Flaaklypa Grand Prix is Norway's biggest box office seller. A children's puppet film, it was produced some 12 years ago – though there have been continuous re-releases – and has earned some NKr40m.

Pathfinder, the second highest gross domestic ticket seller at NKr17m is a simple story about a young Lapp boy taken prisoner by the northern Russian Tsjude tribe, a fearful group of nomadic "baddies," who force him to bear witness to the brutal slaughter of his family then lead them to their next conquest. The film is filled with suspense and has the added treat of Norway's breathtaking fjord and mountain scenery. The fact that it is filmed in the Lapp language adds to its exotic appeal.

Pathfinder, however, did not win the Oscar for which it was nominated, the honour going to the Danish film *Babette's Feast*. *Pathfinder* was produced for the Norwegian film company Filmkameratenne by Mr John Jacobsen, a modest, soft-spoken, yet biting cynic who has developed a keen insight into making a profitable business out of Norwegian film-making.

"*Babette's Feast* won (the Oscar) because it was the best film," Mr Jacobsen believes. The key to *Pathfinder's* success, admits Mr Jacobsen, is its simplicity. "We were criticised for this, but had we tried to add more depth, it simply would not have worked," he says.

The film had a budget of $3m, which is cheap by American standards but expansive by Norwegian standards, and received NKr9m in Government subsidies. One of Mr Jacobsen's Norwegian adversaries, Mr Ohrvik, describes *Pathfinder* as being a cowboy and Indian affair with good guys and bad guys, which could have been filmed anywhere. In his opinion this is precisely the key to the film's success – that it has a story line which fits any cultural bill therefore making it easy for any nationality to relate.

Though the Danish and Swedish film industries have enjoyed more success than their Norwegian cousin, Sweden's is almost solely attributed to one man, Ingmar Bergman, while Denmark's success is newly-found. The Norwegian film industry, has remained domestically land-locked by the structure of the Government support system which, on the face of it, appears quite generous, though it is spread thinly.

Currently there is fierce debate over the subsidy scheme and the efficiency of its administration. There is a split over those who favour it – Mr Jacobsen does – and those, like Ms Bryhni, who would prefer direct payment schemes.

"There is little money available to us through limited subsidies on which we have come to depend. Our production costs are high which means there are limits to what private investors are willing to contribute, because if you have a high degree of private investment in a project you have to be damn sure investment is going to be recouped, something which we can't always guarantee," admits Mr Ohrvik.

Lufthansa ticket move is unfair, alleges UK airline

By William Dawkins in Brussels

AIR EUROPE, the British airline owned by International Leisure Group, has alleged to the European Commission that Lufthansa, the West German carrier, is unfairly refusing to accept its tickets.

The Brussels authorities have the power to fine Lufthansa and to force it to recognise the British company's tickets if they find that Air Europe's claims are justified. They are expected to take several months to decide.

This is the first time that any small carrier has called on the Commission's help since an important ruling by the European Court of Justice last month, technically outlawing nearly all price fixing accords in the air transport industry.

Air Europe alleges that Lufthansa cancelled a so-called interline agreement, under which its passengers could exchange tickets for an equivalent journey on Lufthansa.

The British company accuses Lufthansa of acting out of pique, because its own fares were significantly lower than those charged by the West German airline on competing routes. They include the route between Air Europe's base in Gatwick, and Munich.

Lufthansa's move has restricted Air Europe's ability to sell tickets for trips through several destinations that need to make use of a number of airlines. It means such tickets can no longer include any Lufthansa flights.

While the court judgment had no direct bearing on interlining accords, big national carriers fear that unbridled price competition could make it harder for them to strike such agreements.

Former Imhausen head arrested in W Germany

By Haig Simonian in Frankfurt

THE FORMER chief executive of Imhausen-Chemie, the West German company implicated as a leading supplier to the chemicals weapons plant allegedly under construction at Rabta in Libya, was arrested in Bochum yesterday.

The arrest of Mr Jürgen Hippenstiel-Imhausen, by members of the Federal Criminal Office was accompanied by searches of Imhausen's headquarters at Lahr in south Germany and at a subsidary, Gesellschaft für Automation.

Mr Hippenstiel-Imhausen, who resigned from the company at the end of March, has been under investigation since mid-January for breaking West German export laws in connection with the Rabta plant. Earlier this year, large numbers of West German police and criminal investigation officials raided Imhausen-Chemie's headquarters and the offices of subsidiary companies, where they confiscated documents.

According to Mr Holger Preisendanz, head of the state prosecutor's office in Mannheim, Mr Hippenstiehl-Imhausen is under suspicion of playing a "middleman's" role in the construction of the Rabta plant. Further reports suggest that other leading members of the company are also being investigated.

Yesterday's raid at Lahr involved some 20-25 officials from the Federal Criminal Office who looked through further documents. According to reports, the charges against Imhausen-Chemie now include possible tax evasion as well as infringements of export rules.

However, the main suspicion falls on Imhausen-Chemie's role in co-ordinating the Rabta project, for which it is claimed to have delivered essential parts and plans.

Mr Hippenstiel-Imhausen's arrest is likely to be seen as a welcome sign by the US Government of a toughening in West German attitudes to the Rabta affair following the sharp differences between Bonn and Washington at the beginning of the year. Commentators in the US accused the West Germans of failing to act sufficiently swiftly in pursuing the evidence over the Libyan chemcials plant.

Changes backed in Hungary

By Judy Dempsey in Vienna

THE HUNGARIAN Parliament yesterday approved sweeping changes in the Government intended to tackle the country's serious economic problems.

The changes touch key sectors of the economy. Six ministers, four of whom held posts in Finance, Industry, Planning and Agriculture, were replaced in what is seen as a serious attempt to introduce a more coherent package of economic reforms.

In addition, Mr Peter Varkonyi, the Foreign Minister, who helped edge Hungary closer to the West and who opened up relations with South Korea and Israel, has been replaced by Mr Gyula Horn.

Fighting erupts in Nagorno-Karabakh

By Bruce Clark in Moscow

STRIKES AND intercommunal fighting have broken out again in the Soviet transcaucasian enclave of Nagorno-Karabakh, despite the imposition there in January of direct rule from Moscow.

The official Tass news agency said the deployment of police and Interior Ministry troops had been stepped up, and a journalist in Stepanakert, the region's capital, told the Reuters news agency the city was "full of troops and tanks."

The status of Nagorno-Karabakh, which lies within the Republic of Azerbaijan but is mainly populated by ethnic Armenians, was the principal bone of contention in the Azeri-Armenian fighting which led to at least 91 deaths last year.

In the most serious recent incident three civilians and four soldiers were injured when intercommunal fighting erupted just outside Stepanakert on Friday. It is believed to have been the worst outbreak of violence region since January when it was placed under the control of a special Kremlin commission.

Tass said that industry, construction, transport and public institutions in the region had been hit by an Armenian inspired strike which many local people wanted to see continued indefinitely.

Nagorno-Karabakh was paralysed by strikes for most of last year as a movement for a reunification with Armenia gathered and force in both Stepanakert and Yerevan, the Armenian capital.

The 14 member Karabakh committee, which co-ordinated the Nationalist movement in Yerevan, were all detained last December. At least 70,000 people demonstrated in Yerevan earlier this month to demand their release.

The latest clashes in Nagorno-Karabakh come less than a month after 20 people died in Tbilisi, another Transcaucasian trouble spot, on Georgia's Black Sea coast.

Plan to launch Hindi satellite TV channel

By Raymond Snoddy

A GROUP of British businessmen is planning to launch a satellite television channel in Hindi aimed at the more than 1m homes across Western Europe of people of Asian origin.

The man behind Hindisat TV, the company formed to launch the channel, is Mr Hasmukh Pravinchandra Patel, an engineer, who has been involved in providing satellite links for international cricket matches.

Mr Patel and his business partners believe they can raise the £1.5m needed to launch the service on the Intelsat satellite this autumn. The channel, Akashwani, would provide a wide range of programmes from news and soap operas to concerts and films.

The company estimates there are approximately 750,000 Asian households in the UK and a further 250,000 in Continental Europe. "Hindi is understood by almost all Asians in the West irrespective of their country of origin," Mr Patel says.

He is already distributing brochures about the planned subscription service and says the response has been good.

Satellites are particularly appropriate for reaching scattered communities and ethnic minorities would have a strong incentive to pay extra for television channels tailored specifically for them. An Asian film channel, Indra Dhnush, already exists in Britain but it is delivered on video cassettes to cable television networks in areas such as the London borough of Ealing where there is a large Asian community.

More than three-quarters of Asian households already own video recorders and most spend an average of £4 a week hiring videos. "A direct channel would be cheaper and provide more variety than the existing entertainment source," claims Mr Patel.

EC set for battle over cleaner cars

By Tim Dickson in Brussels

THE EUROPEAN Commission last night set the stage for a possibly acrimonious battle over car exhaust standards at next month's meeting of environment ministers on June 8.

In a move foreshadowed last month, when the European Parliament voted overwhelmingly for a quick change to higher "US-style" emission *standards in the Community*, the Commission significantly toughened a proposal for "cleaner" cars which already has the provisional agreement of member states.

Officials were pointing out last night that the car industry seemed to accept the inevitable, while ministers would hardly wish to court bad publicity on the environment just ahead of the European poll.

The new proposals from the Commission involve a two-step *approach* so that the obligatory standards agreed last November, namely 30g per test for carbon monoxide and 8g for a combination of nitrogen oxide and hydrocarbons in small cars, would have to be introduced by 1 January 1991 for new models. For old models, the standards to be met by 1 October 1991 would be 36g per test for carbon monoxide and 10 for hydrocarbons and nitrogen oxide.

The second stage would involve obligatory *norms of 19g* and 5g respectively

France's penal Code Napoléon meets its Waterloo at last

Ian Davidson reports from Paris on reform of a legal system which has proved highly resistant to *change since it was first drafted in 1810*

WHILE THE rival vested interests in Britain tussle over reform of the legal professions, the French are setting about an equally Herculean task: the complete re-writing of the penal code, the so-called Code Napoléon.

The Senate this week started debating the first folio of the new code, which lays down the general principles of the penal regime. The next three folios, covering crimes against the person, against property, and against the state, will follow in measured order. The complete project will probably run to 12 folios, and is unlikely to be complete before the European Single Market in 1992.

In terms of scale, this is a project which stands comparison with President François Mitterrand's massive architectural undertakings: the controversial glass pyramids in the Cour Napoléon of the Louvre, the vast rectangular Arche de la Défense which will be inaugurated at the seven-nation Economic Summit in July, or his plan to build the biggest library in the world (La Très Grande Bibliotheque).

The new law will be the first comprehensive revision of the Code Napoléon, since the original was drafted in 1810. There may be a moral here: some Anglo-Saxons lament the untidy confusion of British statute and common law, which they compare unfavourably with what they imagine to be the Cartesian coherence of French codification. The drawback of coherence is that it is resistant to change: 180 years later, what was once coherent has become, in the words of the Justice Ministry, "archaic, ill-adapted, contradictory and incomplete".

Various piecemeal reforms were introduced during the 19th century: in 1832, the July Monarchy reduced the severity of punishments, and abolished branding and other forms of judicial torture; the new constitution of 1848 abolished the death penalty for political offences. After the First World War, however, it was clear that much more was needed, and a completely revised code was put before Parliament in 1934; but it had not been adopted by the time France fell in 1940, and it fell by the wayside.

The latest attempt to revise the code has a long history, going back 15 years, to the revision committee set up under President Giscard d'Estaing in 1974. But penal reform did not really get under way until the Socialists came to power with the election of President Mitterrand in 1981 and the appointment of Mr Robert Badinter as Justice Minister.

One of the first acts of the new Socialist Government in 1981 was the abolition of the death penalty, followed shortly by the abolition of the special Court of State Security and the repeal of some of the punitive legislation passed by the previous Conservative Government.

A first draft of the revised penal code was tabled in early 1986. But when the Gaullists returned to power later that year, the draft legislation and the revision committee were put to sleep. Only now, with the re-election of President Mitterrand and the return of a Socialist Government, has the revision of the Code Napoléon once again become a live proposition. The guiding ethical principle of the new draft is to underscore the value placed by society on the importance of the individual. On the one hand it marks a shift of priority towards the protection of the person, compared with the protection of property; on the other, it sets out to make the punishment fit, not the crime, but the offender.

One general trend in the code is to shift away from rigid prison sentencing policies. The existing code sets minimum and maximum sentences for specific offences, but the revised code only sets maximum prison terms, and it extends the range of non-custodial punishments, such as community service. Moreover, as a discouragement to short prison sentences, it requires judges to give reasons for *any sentence* of less than four months.

One change of potential interest to Paris drivers, most of whom seem to regard a red light as an injunction to accelerate, is the de-criminalisation of traffic offences. At present a traffic *contravention* can carry a penalty of a month in prison. That danger will be removed in the new code; according to the definition of the Justice Ministry, a crime is an attack on the values of society, whereas a contravention is only a "simple *lack of discipline in social life*".

The new code does contain more radical innovations, however. In a provision aimed at organised crime, the instigator of a crime can be punished, even if the person he instigated failed to carry it out. Unions will also become vulnerable to the penal code, whose scope will be broadened to cover *personnes morales*, in contrast with *personnes physiques*, and *which* in practice means associations and unions.

The scale of prison sentences will be enlarged to include a term of 30 years; this is intended to be a lesser alternative to the life sentences (*à perpétuité*) which judges have invoked excessively since the abolition of the death penalty.

After the Gaullist victory in 1986, Mr Badinter was found a new job as president of the Constitutional Court. His current successor at the Justice Ministry, and champion of the reform in the parliamentary debates, is Mr Pierre Arpaillange, who was chef de cabinet to the Conservative Justice Minister who started the process in 1974. But by common consent, it is Mr Badinter who is the father of the reform.

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AMERICAN NEWS

Alaskan oil producers stripped of tax breaks

By James Buchan in New York

THE BIG companies that produce oil from the Alaskan Arctic face a sharp increase in their tax bills after the state legislature this week stripped them of important tax exemptions on the state's two biggest fields.

The new measures, which could cost the industry nearly $200m a year, show a startling deterioration in the companies' once formidable political standing in the state since the Valdez oil spill in March.

The industry warned yesterday that the new tax measures could shut down some high-cost oil production and lead to job losses. But oil company executives complain privately that they are powerless amid public derision at Exxon's handling of the tanker accident in Prince William Sound in March and its clean-up attempts.

Exxon itself, which is a second-tier company in Alaska, yesterday responded to intense federal government and state pressure to increase the resources it has deployed to clean the sound.

The company, which says it has already spent $85m, said it would increase to 5,000 the numbers employed in the operation. This compares with the 3,400 proposed in its clean-up plan – described by an Alaskan official as "probably the biggest piece of American maritime fiction since Moby Dick."

British Petroleum, by far the largest producer of crude from Alaska's North Slope, said yesterday it would "take another look at our spending plans for projects up there." BP owns 51 per cent of the giant Prudhoe Bay oil field.

Atlantic Richfield, the West Coast company which operates the Kuparuk field, attacked the new tax measures as "an emotional response" to an accident.

The new law changes the so-called Economic Limit Factor for the two fields. The limit factor, which was enacted in 1981, is designed to maintain marginal production by such measures as reducing tax rates as fields mature. Prudhoe Bay began producing in 1977 and Kuparuk in 1981.

Bush to call for conference on global warming

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush is to propose an international conference on global warming and related environmental issues when he meets leaders of other industrialised countries at the seven-nation economic summit in Paris in July.

Mr Bush committed himself to such a meeting during discussions here with Mr Ruud Lubbers, the Dutch Prime Minister. It looks likely that the conference, also covering industrial chemicals and acid rain, will not be until next year and will involve a gathering of experts. It has not yet been decided whether heads of government will be invited.

The administration is divided on how to tackle the global warming question, and has been accused of dithering and inertia.

Mr Bush has resisted proposals from the State Department and the Environmental Protection Agency for an international convention to deal with the problem. They have argued that the US should take the lead in seeking international action to reduce global warming, in particular to counter the build-up of carbon dioxide in the atmosphere. This would be similar to the process which led to an international protocol to reduce the use of chlorofluorocarbons.

A bipartisan group of senators has urged the president to change the US line at the current intergovernmental discussions in Geneva. Senator John Chafee, a prominent Republican on the issue, has written separately to Mr Bush saying the convention proposals could "bolster your reputation as an environmental president."

The White House has said the president believes there is insufficient scientific data on which to base rational policy decisions on the issue.

This reflects the views of the White House science adviser's office, the Energy and Agriculture Departments and the Office of Management and Budget, all of which have argued that more needs to be learnt about the implications of a global convention or treaty for the domestic US economy.

An embarrassing illustration of these divisions came earlier this week when the Office of Management and Budget altered the written Congressional testimony on the greenhouse effect of Mr James Hansen, director of the Goddard Institute of Space Studies, a Government establishment. This weakened his conclusion that enough is known about the phenomenon to justify immediate action.

The White House has defended the editing as an effort to avoid the appearance of policy disagreements but the effect has been the reverse with highly publicised congressional criticism of the decision.

Mexico maintains tight squeeze on inflation rate

MEXICO'S inflation rate during April was 1.5 per cent, the lowest monthly figure since November 1979, AP reports from Mexico City.

The Banco de Mexico said prices were 19.2 per cent higher than in April 1988.

The Government froze wages, prices and the peso exchange rate in February last year to try to curb inflation that had reached 159 per cent in 1987.

Although inflation is now under control, workers whose wages have lagged behind price rises have gone on strike recently. In the past few weeks, teachers and bus drivers have walked off the job demanding higher pay.

● The Government, after announcing the release of more than 400 political prisoners in February, is preparing to free nearly 1,000 others. Notimex, the government news agency, said another 989 would be freed, but did not say when.

Big insurer stops new California business

By Louise Kehoe in San Francisco

AETNA Life and Casualty, a major US insurance group, has stopped writing new property and casualty insurance policies in California in the wake of the state's Supreme Court decision ratifying most aspects of Proposition 103, the "insurance revolt" measure passed by California voters last November.

Aetna is believed to be the only major insurer to limit its business in California since last week's ruling. Other major insurers are continuing to write new policies while awaiting the outcome of appeals to the state insurance commissioner for exemption from the 20 per cent rate cuts mandated by Proposition 103.

The company said its action was not intended to challenge Proposition 103 or to put pressure upon the state insurance commissioner. Aetna has filed an appeal to maintain its current rates.

Aetna is the ninth largest provider of property and casualty insurance in California with annual premiums of $800m a year, or 2.5 per cent of the market. The company is a major provider of commercial liability insurance, which is essential to businesses operating in California.

Aetna said yesterday it would maintain its moratorium on new business "until some of the issues that were not resolved by the court are resolved by the California Insurance Department."

In its ruling last week the court said that Proposition 103's 20 per cent rate cuts were constitutional, rejecting an insurance industry challenge. The justices said, however, that the cuts could be imposed only if they allowed insurance companies to earn a "fair return". The ruling left Insurance Commissioner Roxani Gillespie with sweeping power to impose or deny the rate cuts.

Aetna said that uncertainties about how the insurance commissioner would interpret the ruling, what rates were allowed and what factors could be considered in pricing insurance made it impossible for the company to quantify what risks it was assuming.

US seeks to divide Panama army

Bush wants to detach Noriega from his power base, says Tim Coone

IF THE opposition in Panama is unhappy with the blatant attempted fraud of last Sunday's elections, so are the Panamanian Defence Forces (PDF).

As the strongest institution in Panama and thus the ultimate arbiter of power, the PDF has a key role to play in any resolution of the post-electoral crisis. Their unhappiness stems from the fact that the PDF's commander-in-chief General Manuel Antonio Noriega is seen as the problem.

Instead of legitimising his position as the real power behind civilian rule in Panama, Sunday's electoral fiasco has instead brought international opprobrium crashing down on his head, which in turn reflects upon the PDF. The imminent abandonment of Panama by Latin American leaders is particularly damaging for the image of the PDF.

Thus the position the officer corps adopts in the coming days will be crucial.

Until the signing of the 1977 Panama Canal Treaty, the PDF was primarily a para-military police force, responsible for law and order and with only a minor role in national defence. The primary role has been played by the troops of US Southern Command (Southcom) based in Panama. However under the treaty, the PDF must in 1999 assume responsibility for the defence of the canal when the US withdraws.

As long as the PDF can be seen to be capable of fulfilling that role and of guaranteeing the canal's neutrality, there is little likelihood that there will any serious pressure in the US for a revocation of the Treaty before 1999, despite General Noriega's claims that this is the US intention.

By creating political instability and polarising the PDF, Gen Noriega is creating the very threat he claims to be defending Panama against. Several US Congressmen in the delegation to Panama want action to revoke certain articles of the 1977 Treaty.

As the PDF grows in strength from 16,000 men to more than 20,000 as it assumes responsibility for canal defence, career opportunities are on the horizon for middle-ranking and junior officers.

To any rational military officer in the PDF, including even the most adamant nationalists, the present crisis can only mean a threat to careers, with at worst the possibility of a US invasion, the inevitable defeat and destruction of the PDF, and the death of many of its members. The question facing PDF leaders is whether General Noriega's insistence on clinging to power is a threat to the entire institution.

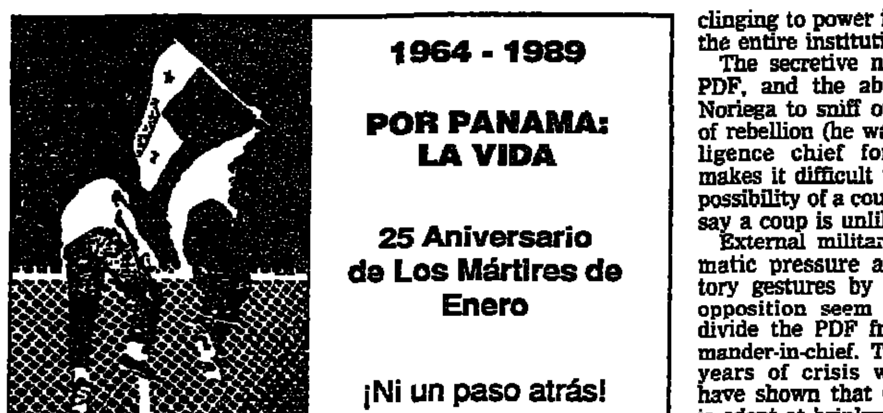
The secretive nature of the PDF, and the ability of Gen Noriega to sniff out any whiff of rebellion (he was PDF intelligence chief for 11 years) makes it difficult to assess the possibility of a coup. Diplomats say a coup is unlikely.

External military and diplomatic pressure and conciliatory gestures by the political opposition seem intended to divide the PDF from its commander-in-chief. The past two years of crisis with the US have shown that Gen Noriega is adept at brinkmanship.

If the military bluff is called, Gen Noriega will consolidate himself in power and gain prestige among nationalists.

General Fred Woerner, the head of US Southern Command, who would command any US invasion of Panama, advocates judicious use of military force, and will be the first to urge caution with his political and military superiors in Washington. However, in a speech to the House Appropriations Committee in February 1988 he said: "Democratisation in Latin America secures our southern flank and is the best defence against totalitarian inroads in (the) hemisphere. Dictatorship, civilian or military, provides fertile ground for Marxist-Leninist revolutionaries by weakening civilian leadership and in many cases, corrupting the very guardian of security – a nation's armed forces".

After this week's events in Panama, if General Woerner has met any leaders of the PDF he has most likely repeated that statement with more than usual emphasis.



An earlier conflict: Panama is commemorating the 25th anniversary of an incident when students attempted to raise the Panamanian flag over the canal zone. US troops shot dead 23, reviving nationalist fervour.

THE PANAMANIAN DEFENCE FORCE

(US Southern Command forces in brackets)

TOTAL:	7,300 (12,900)
ARMY:	6,000 (10,200) 3 battalions including Special Forces unit
NAVY:	900 (450) 6 inshore patrol vessels, 4 landing craft and one transport
AIR FORCE:	400 (2,250) No combat aircraft or armed helicopters; 1 reconnaissance squadron. 1 Search and Rescue squadron.

SOURCE: IISS

Empty debate by Argentine poll rivals

By Gary Mead in Buenos Aires

ARGENTINA'S presidential election campaign took a bizarre turn late on Tuesday evening as Mr Eduardo Angeloz, candidate for the governing Radical party, staged a television debate between himself and an empty lectern, left vacant by Mr Carlos Menem of the Perónist party.

The broadcast followed a day of speculation as to whether Mr Menem would join battle with Mr Angeloz on Argentina's most well-known current affairs programme, "Tiempo Nuevo". In the event Mr Menem stayed away and addressed 100,000 people in a suburb of Buenos Aires.

Mr Angeloz later spoke before a good-humoured audience of up to 150,000 Radical supporters in the centre of Buenos Aires, where he continued the TV debate by posing questions to the absent Mr Menem. During the programme Mr Angeloz was cross-questioned by "Tiempo Nuevo" journalists and he suggested that Mr Menem's refusal to accept a challenge to debate on television indicated an "authoritarian attitude".

However, Mr Angeloz had earlier himself refused to engage in televised debate (on the same programme) with Mr Alvaro Alsogaray, who as presidential candidate for the Centre Democratic Union is third in the opinion polls and may capture 10 per cent of the vote.

The Radical party rally marked the close of Mr Angeloz's campaign. Unusually, the opposition Perónists have chosen not to stage a final rally in Buenos Aires. Some suggest that Mr Menem's team are anxious to avoid any chance of street unrest close to Sunday's election, particularly when the Perónist candidate is topping the polls.


Once
Dettol
Robin
Frend
Jif
24
DISPRIN
DISSOLVES PAIN FAST
Colman's
Mustard
Traditional
Sausage
Casserole
Supersoft
HAIRSPRAY
PERMED/
TREATED
HAIR
12
ZIP
long burning
fire lighters
30
Steradent
LEMSIP
ROBINSON'S
ROBINSONS
ORIGINAL
HIGH JUICE
ORANGE CRUSH
Dettox
Anti-Bacterial
Household Cleaner
ROBINSONS
LEMON
BARLEY
WATER
& (phew!) Colman.

Peking students plan march to greet Gorbachev

By **Peter Ellingsen** in Peking

ABOUT 5,000 Peking students, carrying protest banners and wearing T-shirts urging press freedom, marched on China's Communist Party mouthpiece, the People's Daily, yesterday. A student leader said the protest was a forerunner to large demonstrations planned to coincide with President Mikhail Gorbachev's visit to Peking on Monday.

According to Yu Fang Xin, leader of the independent students' union at Peking's Institute of Technology, students would march on Tiananmen Square when Mr Gorbachev arrived for a summit meeting with Deng Xiaoping, China's leader. "We will go to Tiananmen to welcome Mr Gorbachev," he said. "He believes in democracy and so do we."

Yu, 21, an electrical engineering student from Shandong, south of Peking, predicted a rally bigger than the 100,000-strong march of last week. He said the protests would continue as long as officials refused to negotiate directly with the independent students' union.

Yesterday's demonstration, the largest for a week, was in support of a petition by 1,000 journalists for an independent press.

Journalists representing more than 30 media organisations have accused authorities of censoring the reporting of recent student protests. In a rare public rebellion against official interference, the journalists allege that coverage of the month-long pro-democracy movement was "far from enough and not objective".

The petition, handed to the party-affiliated All China Journalists' Association, said biased and incomplete reporting had violated the principle that important news should be publicised "to the people".

Yesterday's demonstration is significant as it marks the beginning of what appears to be a coalition of intellectuals, journalists and students in search of press reform. A union of journalists and students would prove a powerful obstacle for the Government, which has refused to negotiate with unofficial campus organisations.

The People's Daily, in its overseas edition, yesterday said the Chinese press would be allowed "and helped" to make investigative reports of major corruption.

Colombo faces a painful battle on another front

In the first of two articles on Sri Lanka, **David Housego** looks at the country's ailing economy

WITH a mission from the International Monetary Fund arriving in Colombo this weekend, President Ranasinghe Premadasa's four-month-old administration, which came to power on the promise of raising living standards, finds itself face-to-face with the prospect of imposing austerity measures.

Continuing terrorist conflicts in the north and south of the country, strikes and shutdowns imposed by Sinhalese and Tamil extremists, vote-catching spending in both the recent presidential and general elections – all have taken their toll on the economy. Inflation, which had risen to 15 per cent at the end of last year has probably passed 20 per cent and is still climbing.

The budget deficit which should have come down to 10 per cent of gross domestic product this year under the existing structural adjustment programme agreed with the IMF, surged last year to 15 per cent and will reach 12-14 per cent this year on the basis of budget estimates.

Monetary growth was still a high 22 per cent on an annual basis at the end of March though down on the 29 per cent at the end of last year.

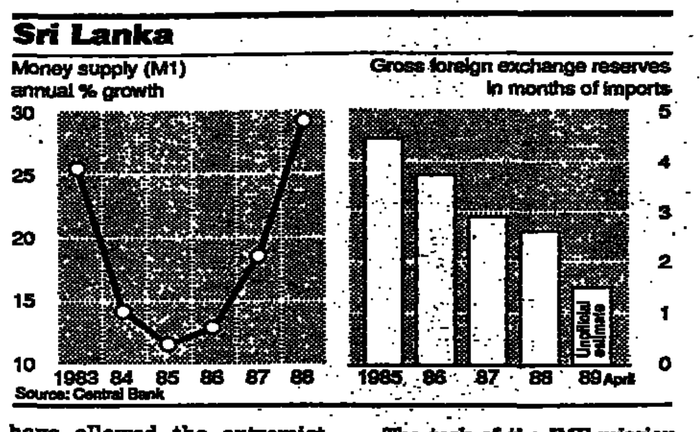
Most indicative of the government's lack of space for manoeuvre is that with the current account deficit still rising (an expected 9 per cent of GDP this year) and Sri Lanka's high debt service ratio virtually barring it from further commercial borrowing, the foreign exchange reserves have dipped to a low for the decade of the equivalent of six weeks imports – maybe less.

Decisions on economic policy have so far left observers confused as to the government's intentions.

"I don't see any direction at all," says one western diplomat. President Premadasa seems to have been fed over-optimistic accounts of the state of the economy by Mr H.N.S. Karunatilake, his recently appointed central bank governor. Mr Karunatilake got the job after publicly saying last year that the President's proposed poverty alleviation programme, promising Rs2,500 for the poorest 1.4m families, could be easily financed.

Interest rates which had been raised to absorb inflation were abruptly reduced before recently resuming their upward trend. The currency which was depreciating at the beginning, was briefly revalued before resuming a downward slide. Price controls were imposed on pharmaceuticals - though the President's real instincts appear to be market-oriented.

Against this background economic growth has remained low, particularly by comparison with the rapid expansion that followed the initial opening up of the economy in the late 1970s. Real GDP has risen at only 2-3 per cent over the last two turbulent years. Unemployment, which is at the root of the frustrations that have allowed the extremist Sinhalese JVP movement to build up its strength, is around 18 per cent.



The bright spot in the economy, demonstrating Sri Lanka's potential if ever it can get back on the rails, has been export-oriented manufacturing and services. Aitken Spence, a large, diversified, local group with interests in shipping, garments, container traffic and tourism says it had record profits last year in spite of their hotels being closed down in the peak winter holiday period.

A new Taiwanese-Sri Lankan joint venture exported $3m of garments in its first year last year and is expecting a $14m turnover this year while also constructing a factory to make sweaters. Substantial Japanese investment is waiting to pour in but is deterred by economic and political uncertainties.

The task of the IMF mission is to decide on what terms Sri Lanka will be able to make an overdue SDR66m second tranche drawing on its three year structural adjustment loan. On the Fund's approval depends the release of concessional aid by western donor nations.

Until recently the new government had hoped the Fund would not be too pressing in its demands. But the mood among Fund and Bank officials is that Sri Lanka has now twice postponed much needed stabilisation measures because of political difficulties.

In the belief that the country had in 1987 launched on a new course, the World Bank hopefully called its 1988 assessment of the economy "a break with the past," but Sri Lanka failed to live up to its commitments.

The Fund made clear to Mr R. Paskaralingam, the new Treasury Secretary, when he was in Washington recently that the case for a stabilisation package remained unchanged. On Monday he presided over the first meeting of senior officials to prepare the ground for the IMF visit. The negotiations are likely to be tough.

The most sensitive point for Mr Premadasa's government is an expected demand by the IMF for a substantial and immediate devaluation. Because of government determination to hold down inflation last year, the currency was allowed to appreciate by 5 per cent in real terms (as adjusted for inflation and measured against that of Sri Lanka's main trading partners).

This year's depreciation in nominal terms has not begun to make good the loss of competitiveness caused by Sri Lanka's soaring inflation rate. A substantial devaluation (10-20 per cent) would boost export earnings, but the immediate rub for the government is that it would further exacerbate inflation – with the risk of unrest spreading from students to industrial workers and public employees.

To contain the inflationary consequences the Fund is expected to insist on tight fiscal and monetary policies – possibly a budget deficit limited to 10 per cent of GDP and a target for monetary growth of 10-15 per cent. This would require bringing down government expenditure as a proportion of GDP from 34 per cent to about 28 per cent and sharply raising interest rates.

Mr Premadasa's priority is to save his Jana Saviya poverty alleviation programme which accounted for an additional Rs10bn of expenditure in the budget from being further axed. The programme is seen by officials as cushioning the poor against the impact of austerity policies while providing the jobs that could help limit the JVP's appeal.

The programme has already been trimmed from the 1.4m families that the President spoke of in his campaign speeches to 300,000 mentioned in the budget. It was to have been introduced in April but the timetable has now slipped to July. Observers in Colombo who initially treated it as a gimmick increasingly take it seriously as a way of stemming the unrest in the villages on which the JVP has flourished.

The Fund believes that one way of achieving cuts in government expenditure is to spend less on bulky, capital-intensive projects, like the Mahaweli irrigation scheme, and to reduce the size of Sri Lanka's mammoth public sector. It is thus expected to press for extensive privatisation.

Austerity policies are never popular. President Premadasa's government can be expected to put up a tough fight over the details. But the dwindling foreign exchange reserves leave the country little choice but to accept the policy changes that the Fund will propose.

Japan pressing US to explain H-bomb incident

By **Robert Thomson** in Tokyo

JAPAN has asked the US Government for full details of a 1965 incident in which a one-megaton hydrogen bomb was lost in the sea near the island of Okinawa, as concern grows that the US has been violating an agreement not to bring nuclear weapons into Japan.

The bomb was aboard an attack aircraft that rolled off the US aircraft carrier Ticonderoga, en route from Vietnam to the Japanese port of Yokosuka. Mr Sousuke Uno, Japan's Foreign Minister, said yesterday that the government was greatly concerned and wanted to know more about the bomb's location and condition.

While nuclear weapons are prohibited from Japan, the government believes that Washington would seek permission if there were plans to dock a nuclear-armed vessel in a Japanese port. Japanese Foreign Ministry officials say that they have never been consulted by the US, and can only presume that nuclear weapons have never entered Japan.

However, news that the vessel was bound for Yokosuka has stirred popular concerns about the presence of nuclear weapons. Speaking in Parliament yesterday, Mr Uno confirmed that the US has never consulted with Japan on their transportation, putting public pressure on Washington to explain the nuclear-armed plane aboard a Japan-bound aircraft carrier.

In a 1981 explanation, the Pentagon told Japan that the vessel was more than 500 miles from land, but a report by the Institute of Policy Studies, the liberal US research group, said the bomb was lost only about 80 miles from the nearest island of the Okinawa chain.

Hong Kong runs record budget surplus in 1988

By **John Elliott** in Hong Kong

HONG KONG last year ran up a record budget surplus of HK$15.7bn ($1.2bn), which is HK$1.5bn higher than end-of-year government estimates issued early in March and almost double the original forecast made a year ago.


Piers Jacobs: embarrassed

The figure was announced with some embarrassment yesterday by Mr Piers Jacobs, Hong Kong's Financial Secretary, who has come under attack recently in the Legislative Council for his department's poor economic forecasting.

He said the forecasting problem stemmed from the colony's cash accounting system. There had been slight under-spending by the government and a slightly higher yield on stamp duty and business profits tax.

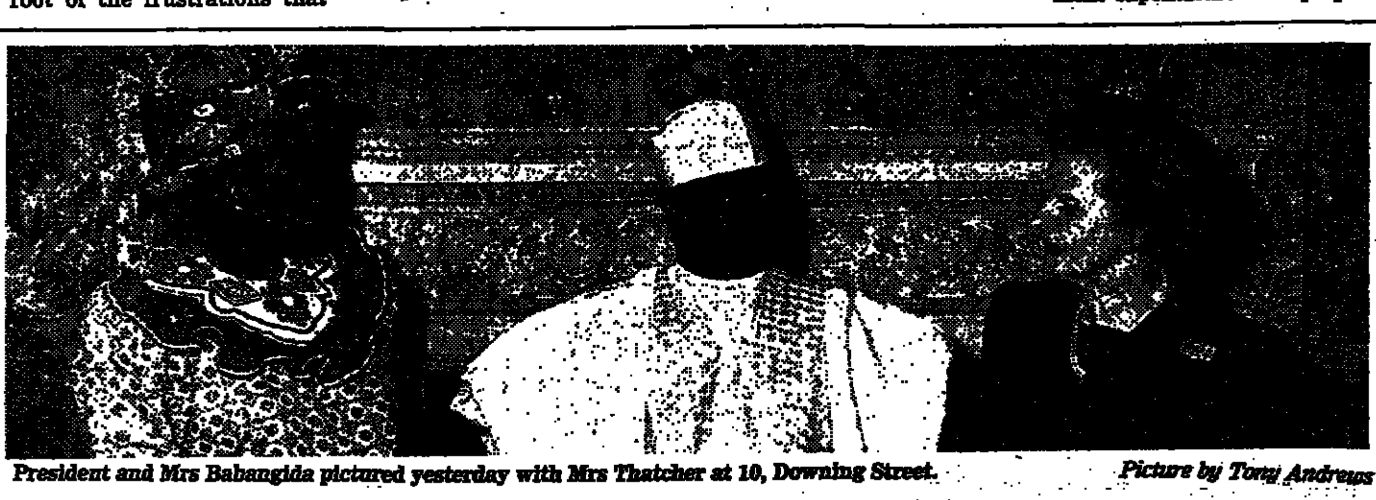
Mr Jacobs rejected requests for increased government spending and tax cuts because, he said, this could increase inflation, now running at around 10 per cent.

In his annual budget on March 2, Mr Jacobs made some increases in spending on social services and infrastructure projects and introduced half a percentage point taxation cuts, bringing personal tax down to 15 per cent and corporate profits tax to 16.5 per cent.

Thatcher backs Nigerian reforms

MRS Margaret Thatcher, UK Prime Minister, reaffirmed Britain's support for Nigeria's "courageous" economic recovery programme in talks yesterday with President Ibrahim Babangida, who is in London on a three-day state visit.

The 50 minute meeting, followed by lunch at Downing Street, was described by British officials as "extremely warm and friendly". President Babangida outlined his government's plans for a phased return to civilian rule by 1992.


President and Mrs Babangida pictured yesterday with Mrs Thatcher at 10, Downing Street. *Picture by Tony Andrews*

UN agency defers PLO debate

By **William Dullforce** in Geneva

THE ASSEMBLY of the World Health Organisation yesterday deferred until tomorrow its consideration of the Palestine Liberation Organisation's application for membership, despite strong Arab opposition to the delay.

The decision set the stage for 48 hours of intensive lobbying of hesitant Third World delegations by the Palestinians' backers and by those, mainly western countries which argue that the WHO would be wrecked by the admission of Palestine.

Washington has said it would cut off its 25 per cent contribution to the agency's budget if the PLO was elected. The US argues that the PLO does not qualify as a state.

The WHO assembly yesterday voted by a majority of 56 against 47 with 20 abstentions for an Austrian and Canadian proposal that delegations be given time to consult with governments on the two resolutions submitted to the assembly. One presented by the Arab League countries calls for the admission forthwith of the "state of Palestine".

The second, tabled by an 11-member group of Pacific and European countries with one African, asks the WHO director-general to study the implications of the Palestinian application for the agency's work and to report on the outcome to next year's assembly.

China's conservatives find ally in inflation

There is a danger that state controls may be reimposed, writes **Stefan Wagstyl**

CHINA'S leaders claim they are winning the battle against inflation – the toughest challenge they have faced since China started on the long road of economic reform a decade ago.

But foreign observers are deeply concerned that prices cannot be brought under control without further sharp deflationary shocks. They worry that the ruling Communist Party may be forced to re-impose controls which have been eased in the 1980s.

The party's leaders have publicly reiterated their commitment to reform many times in the last few months, most recently during the current wave of student protests. But there is a real risk that the surge in inflation will weaken the reformist camp within the party – and boost the position of conservatives, who argue that economic liberalisation has gone too far already.

Senior Chinese officials do not underestimate their difficulties. Last week, Mrs Qiu Qing, deputy governor of the Bank of China, told the annual meeting of the Asian Development Bank that "the glaring problem confronting the nation now is high inflation". Last year, the speed of increase of consumer prices rose from an annual rate 10.8 per cent in the first quarter to 26 per cent in the fourth. It is still rising.

Anecdotal evidence suggests the figures are still higher for Peking and for the coastal provinces, which have been expanding most rapidly. A Chinese economic journalist said last week that privately-owned textile companies in Shanghai were paying for domestic supplies in precious foreign currency to ensure deliveries. "Shanghai's economy is exploding," he said.

The root cause of inflation has been the competition for resources between different state-owned corporations, which have been granted increasing economic independence, as well as growing numbers of privately-owned businesses and joint ventures. Businesses in the coastal regions, keen to expand exports, have been investing rapidly, sucking in resources from the inland provinces. This has been exacerbated by the flood of foreign investment pouring into the seabord areas, especially Guangdong.

Demand for resources for investment has been matched by a surge in personal consumption. About 24m Chinese bought television sets last year, 10m acquired tape recorders. There are widespread reports of hoarding by both industry and individuals hoping to resell goods later at higher prices.

AT least half China's state and publicly-owned enterprises were caught trying to evade taxes last year, the New China News Agency said yesterday, Reuter reports from Peking. A survey showed the companies evaded 12.3bn yuan (£2bn) in taxes in 1988.

Inflation has been aggravated by a huge surge in money supply, which reached an annual growth rate of about 50 per cent by the end of last year, due largely to increases in bank borrowings. The demand for funds is so strong that some state-owned businesses in Anhui province were last week reported to be paying 3 to 5 per cent a month for funds borrowed from private entrepreneurs.

After trying to control prices with restraints on bank borrowings and state-led investment, the authorities launched a full-scale assault on inflation last autumn. The key weapons have been increases in interest rates for borrowers which were raised from 8 to 9 per cent in September and again to 11.3 per cent in February. State-run corporations were ordered to limit investment programmes; provincial governments were exhorted to follow suit.

Li Guixian, the central bank governor, told a press conference last week that there were signs that the policies were succeeding in slowing down the economy. Industrial production in the first quarter of 1989 rose by only 10.4 per cent on an annualised basis against 20.7 per cent for last year. Mrs Qiu said at the ADB meeting the necessary improvements and changes would be put into effect over this year and next.

However, foreign economists think it might take longer than that. NRI & NCC, the research arm of Nomura Securities, forecasts that the Chinese growth rate will slow from 12.3 per cent in 1988 to 8.4 per cent this year – enough to bring the inflation rate down from 19.5 per cent to 18 per cent.

Mr Teizo Taya, senior economist at Daiwa Research Institute, an affiliate of Daiwa Securities and a former member of an International Monetary Fund delegation to China, said: "The only way is to restrict the money supply. They can't do it overnight. But I see little sign of it happening yet."

The problem is that while limiting money supply growth may well dampen the inflation rate it will do nothing to solve the severe structural imbalances in the Chinese economy. These stem from the yawning gaps between the development of different parts of China.

The Government's plans for solving these imbalances include giving preferential access to capital and other resources to basic industries as well as stepping up economic monitoring to ensure resources are distributed according to its programme. The difficulty is that this strategy might easily lead to an increase of state control on liberalised areas of the economy.

Chinese supporters of economic reform will be hoping economic retrenchment does not take China off the road it has followed this decade. Liberalisation has after all generated great gains, with real economic growth averaging 9.9 per cent a year in the 1980s against 5.8 per cent in the 1970s.

Foreign businessmen will feel the same way. The Bank of Japan said in a report published last month: "The facts show that economic relationships between China and Pacific-basin economies have become increasingly interwoven . . . therefore stable growth of the Chinese economy is important not only for China herself but also for the world economy."

Egypt witnesses a militant response to the Islamic tendency

The country's Moslem movement has had its setbacks but may not have 'peaked', **Tony Walker** reports from Cairo

UNDER a hot Egyptian sun in the overcrowded Cairo suburb of Shoubra the other day about 200 demonstrators demanded the release from jail of Sheikh Omar Abdel Rahman, the radical blind cleric, who was detained last month after disturbances in his "parish" of Fayyoum, near Cairo.

The event, while not particularly significant in itself – protests by members of the Islamic tendency are fairly common – drew further attention to an intensified "war of attrition" between Islamic militants and the authorities.

Since serious disturbances in the Ain Shams district of Cairo last December led to the slaying of a police officer, the Government has arrested 2,000 alleged Moslem extremists in one of its biggest and most protracted sweeps against religious activists demanding the Islamisation of Egyptian society.

Major General Zaki Badr, the Interior Minister and man behind the "war" against the Islamic tendency, vowed recently to "arrest any citizen who may try to foment trouble in *the country*."

Mr Badr is widely accused of excessive zeal in his vendetta against the religious right and there are fears that his heavy-handed approach may prove counter-productive.

Miss Neimat Guenena, a sociologist and expert on the Islamic tendency, believes the Government is "not dealing intelligently" with the issue. "They are being too aggressive," she says. "They are attracting sympathy and attention to these groups."

Miss Guenena puts her finger on the central dilemma for President Hosni Mubarak and his police chief: that is, how much force should be applied to a tendency that is both elusive and threatening? The danger of the "nip-it-in-the-bud" approach is that it invites an endless cycle of strike and counter-strike, and in the end hardens the opposition.

Mr Mubarak appears, for the moment, to have decided that force is the answer. His continued backing for Mr Badr's "tough cop" stance is evidence of this and he is not without support among secular Egyptians.

The latest government crackdown appears to have been a response to fears that the nature of Islamic protest may be evolving once again into a more violent form, although few observers at this stage believe that extremist factions pose an immediate threat to the administration. The Ain Shams incidents were among the most serious in the past eight years since the assassination in 1981 of President Anwar Sadat by members of the extremist Islamic Jihad.

Egypt's Interior Ministry says the country has no political prisoners and does not practise torture on imprisoned accused criminals, AP reports from Cairo.

On Wednesday Amnesty International, the London-based human rights group, claimed in a report that there was "a pattern of torture" in Egypt's jails. The document was said to be based on interviews with some of the more than 3,000 people arrested under emergency laws since 1986 and more than 100 medical reports by the Justice Ministry's forensic medicine department.

In a statement attributed to an "official source," the Interior Ministry said: "It is absolutely untrue that there is torture of any kind by Egyptian police, who work for the ministry."

Miss Guenena believes that the Islamic movement in Egypt should be viewed as a "continuum" in which there is a constant ebb and flow between the "accommodative" and "violent" streams. The widely perceived recent setbacks for the "accommodative" mainstream Moslem Brotherhood has been offset by a rise in Islamic militancy fuelled partly by a worsening economy and lack of jobs.

The collapse last year amid accusations of fraud of a number of so-called Islamic investment houses, including the largest, has almost certainly harmed Moslem mainstream organisations such as the Brotherhood. The spectacular rise in the mid-1980s of the *Sharikat Tawzif al Amwal*, literally the companies for receiving funds, had contributed to an impression of a strengthening broad-based Islamic trend.

Egyptians in their thousands poured funds into these institutions, attracted by returns of up to 24 per cent on deposits under profit and loss agreements, and by specious claims that these returns did not represent interest payments, in line with the Islamic ban on usury.

Almost overnight, it seemed, a "financial state within a state" had been created, challenging the Government's inadequate regulatory capabilities. The inevitable collapse of some of these institutions undermined claims made on behalf of "Islamic economics" as a more efficient form of capitalism.

The Moslem Brotherhood made little attempt to forswear a connection with these dubious finance companies and indeed sought to bask in some of the early reflected success. Belated government pressure on the unregulated investment sector has proved a temporary antidote to the exaggerated expectations of the Islamic tendency which was laying siege to state institutions by developing parallel financial, health, education and social welfare structures.

"If you strike at the profit side, you strike at the non-profit side as well," observed Miss Guenena, who believes the Moslem mainstream overplayed its hand in the past two years and invited government retaliation.

Maamoun Hodeibi, the *Ikhwan* (Moslem Brotherhood) leader in Egypt's People's Assembly, predictably disputed claims that for now the Islamic trend had peaked and that the collapse of the Islamic investment sector represented a serious setback. He said that the continuing success of Islamic candidates in elections for professional associations such as doctors and engineers syndicates was evidence of this.

A Western expert who has studied the Islamic trend in Egypt for many years believes it is a "bit premature to say the steam has gone out of the Islamic movement, but it has certainly lost some of its appeal".

However, in the absence of a serious secular alternative – non-Islamic political organisations of the centre and left are in almost total disarray – for the ruling National Democratic Party it is the broad Islamic opposition that continues to provide a focus for discontent. And this at a time when Egypt's economic difficulties are increasing rather than diminishing under the burden of an unmanageable $43bn (£26bn) foreign debt and an almost insatiable demand for food imports to feed a population of 54m that is increasing by 1m every seven months.

"Among opposition groups," said Miss Guenena "only the Islamic alternative is credible. There is no viable secular alternative". She believes that if the *Ikhwan* is "intelligent" and "patient" and does not overreach itself, it will once again regain the momentum that it appears to have lost in the past year. This is not necessarily a comforting observation for the authorities.

Iran go-ahead on borrowing

IRAN'S supreme leader, Ayatollah Ruhollah Khomeini, has given the go-ahead for foreign *borrowing to* finance major projects such as steel and energy, Iranian newspapers reported yesterday, Reuter reports from Nicosia.

The newspapers published a set of policies and priorities drawn up by the High Council of Reconstruction, approved by Ayatollah Khomeini and passed on by President Ali Khamenei to the Government last week.

It did not put a ceiling on the amount of foreign funding the Government could seek but set conditions to ensure that the country's interests were looked after in the process.

Shamir firm on elections

MR Yitzhak Shamir, the Israeli Prime Minister, yesterday said Palestinians must accept his proposals for elections in the occupied territories, writes Hugh Carnegy in Jerusalem.

Mr Shamir warned that continuing the uprising in the West Bank and Gaza Strip would not wring further concessions from the Government.

He was speaking on the 41st anniversary of the state, before entering hospital following what his staff described as an accident at home in which he hit his head. Officials said Mr Shamir later complained of feeling unwell and was admitted for checks.

Mr Shamir said his proposals for a poll to elect Palestinians who would negotiate some form of self-rule in the territories were realistic and just.

One person was reported killed in unrest in the West Bank.

WORLD TRADE NEWS

US angers Japan and EC over patents cases

By William Dullforce in Geneva

THE US aroused the ire of Japan as well as of the European Community yesterday, when it blocked for the fourth time running in the council of the General Agreement on Tariffs and Trade (Gatt), adoption of a ruling against its handling of patent infringement cases.

Mr Yoshio Hatano, Japan's ambassador, said his country was becoming increasingly concerned about Washington's attitude towards Gatt's dispute settlement procedures.

Recalling that the US also still had to comply with findings against its "Superfund" oil levy and its imposition of customs user fees, Mr Hatano charged the US with undermining the credibility of Gatt.

A Gatt panel ruled in November 1988 in favour of an EC complaint that US procedures in enforcing intellectual property rights under section 337 of its Tariff Act discriminated against imported goods and were inconsistent with the Gatt.

The US circulated to council members yesterday a detailed account of its objections to the Gatt ruling and said the Bush administration had not yet decided how to handle the matter. The EC accused Washington of mispresenting the panel's findings and warned that it would expect the US to accept the ruling at the next meeting of the Gatt council.

At yesterday's meeting, Chile pressed home its case for the establishment of a Gatt "crisis management body" to handle emergencies such as that Chile faced last year when the discovery of toxic matter in a few grapes in the US led to a ban on its grape and fruit exports.

Mr Luis Escobar said Chile had suffered a loss of trade worth hundreds of millions of dollars. Gatt should have some means of reconciling governments' interests in protecting public health with exporters' need for secure access to markets.

Some 30 countries backed Chile's appeal. The council asked Mr John Weekes, its Canadian chairman, to start informal talks on how a mechanism could be put in place.

The council received findings from dispute panels in favour of a Chilean complaint against EC restrictions on imports of desert apples and of a US complaint against Norwegian import controls on apples and pears.

Canada lost a case against Japan whose tariff rates, it claimed, discriminated against imports of Canadian spruce, pine and fir lumber.

US-EC air war breaks out in Gatt

William Dullforce gives the background to the Airbus subsidy clash

THE EUROPEAN Community has vigorously rejected a US complaint that the West German government is violating the General Agreement on Tariffs and Trade by subsidising Daimler Benz's purchase of a majority holding in Messerschmitt-Bölkow-Blohm, the aerospace group which holds Germany's 37.9 per cent stake in the Airbus industrie consortium.

EC officials have counter-charged, in the two days of talks in Geneva, that Boeing, the US manufacturer, is using profits from sales of its jumbo B747 model, which has no competitor, to lower the prices of models competing with Airbus.

This week's bilateral consultations – the usual prelude to the filing of a complaint with Gatt – are the result of the most recent flare-up in the long-running dispute over the US claim that European governments' support for the four-nation Airbus consortium creates unfair competition for US aircraft manufacturers.

Washington's latest charge focuses on the exchange rate guarantee for MBB's Airbus subsidiary included in the privatisation deal, under which Daimler Benz will initially buy 30 per cent of MBB and later raise its stake to 50 per cent.

The West German Government has undertaken to shield Daimler Benz up to the year 2000 from losses on Airbus business caused by any movement in the dollar rate down to DM1.60.

In a worst-case estimate for the West German parliament, the Economics Ministry put the potential cost at DM1.7bn (£548m). The government is also shouldering earlier obligations for the development and production of Airbus aircraft to the tune of DM4.1bn.

The EC has refused consultations under the subsidies heading, arguing that the special aircraft code takes precedence over the more general subsidies agreement.

However, the two sides agreed this week to let the legal issue ride, while they discussed the substance of the US complaint against the Daimler-MBB contract.

Gatt's aircraft code permits public assistance for aircraft manufacturing as long as it does not distort trade.

The EC argues that the Airbus programme is not distorting trade for the simple reason that with a 1988 market share of only 17.2 per cent Airbus cannot be seriously affecting its US rivals at a time of sharply expanding demand.

European officials cite a 48 per cent increase in the volume of orders received by Boeing in 1988, a rise from 51.6 to 62.5 per cent in its market share and a 28 per cent climb in its profits.

They also claim that Boeing has taken on 66,400 workers over the past four years.

McDonnell-Douglas, the other US manufacturer, reported a 28 per cent growth in turnover in 1988 and has taken on 22,400 new workers in the past three years. The company has secured 260 orders and options for its MD11 model compared with 122 for the Airbus 340, while its MD80 series is sold out five years in advance, according to the Europeans.

The US share in sales of large aircraft has increased from 75.3 per cent for three manufacturers (with Lockheed) in 1979 to 79.3 per cent for only two manufacturers, despite the expansion of the Airbus range.

While more than 1,000 large transport aircraft from the US are in service in Europe, Airbus has so far delivered only 80 to the US and new contracts for Airbus are being put at stake by US trade policy threats, Brussels argues.

Moreover, citing "US industry estimates", European officials claim that Boeing is using profits of at least $30m per aircraft from its B747 sales to reduce the prices of models competing with the Airbus range.

Mr Dieter Wolf, director for industrial policy affairs at the West German economics ministry, describes Boeing's action as "a classic case of monopolising strategy", cross-subsidising from one product to another, to keep prices down despite strong demand.

Boeing as market leader is using short-term price policies to place a question mark over the economic viability of projects in which Airbus has been investing for decades, the Europeans argue.

This development comes when Airbus has taken on the burden on developing its A330/340 series, introducing its A320s to the market and stepping up production capacity - at a time of uncertainty about the exchange rate of the dollar, the currency in which all large aircraft are traded.

Were the Daimler-MBB deal to fall apart, the West Germans say, they would not be able to participate in the A330/430 project without extra state assistance.

EC officials are particularly angry that the US should be challenging the Daimler-MBB deal after it had undertaken at a ministerial meeting in London in October, 1987 that it would not hinder efforts to privatise the Airbus consortium.

In addition to MBB, the Airbus partners are Aérospatiale of France (37.9 per cent), British Aerospace (20 per cent), and Spain's Casa (4.2 per cent).

The EC has dismissed a US suggestion that Airbus and MBB could cover themselves against fluctuations in the dollar by normal commercial hedging on capital markets.

The long running times for aircraft projects and the sheer volume required make this impracticable, it says.

Hedging is practised normally for periods of one to three months: the maximum period obtainable would be two years at a very high premium.

The Germans calculate that the volume required to cover their Airbus participation would be equivalent to the total forward exchange dealing in the German economy.

No private market could cope with the Airbus dollar rate risk, Mr Wolf says.

Nor would the exchange rate agreement with Daimler create a precedent for other branches of German industry, which invoice only 7 per cent of their exports in dollars, the economics ministry argues.

Japanese 'may soon begin friendly takeovers in EC'

By Guy de Jonquières, International Business Editor

JAPANESE companies may soon start making friendly takeovers in the European Community to protect themselves against the threat of EC restrictions on their trade and investments, an executive of a Japanese electronics company said yesterday.

Mr Don Pinchbeck, general manager of the UK subsidiary of Epson, a leading maker of personal computers and printers, said in London that by making acquisitions, Japanese companies could secure a position "well and truly inside 'Fortress Europe,' with European brand names."

Some acquisitions could be organised as a form of reverse takeover. "I can imagine a Japanese company disappearing into the shell of a European company, with the Japanese company holding a golden share."

One of the advantages of such an arrangement would be to help Japanese companies avoid EC moves to require them to meet minimum levels of local content in their European assembly plants.

It was most unlikely Japanese companies would launch hostile takeovers in Europe. Asked whether Epson planned to make any European acquisitions, he replied: "Perhaps I should say: watch this space."

Outright acquisitions would involve some problems of blending different management styles. The difficulties would be smaller than in joint ventures between Japanese and European companies which, he believed, stood little chance of success.

Mr Pinchbeck criticised the EC's use of anti-dumping procedures against Japanese exports and of European efforts to tighten local content rules on Japanese plants. Such rules were not designed to raise EC content, but to limit Japanese content. But he was optimistic about Japanese companies' prospects in Europe.

Electronics crisis 'could trigger protection backlash'

By Guy de Jonquières

THERE IS a serious risk of a crisis in Europe's electronics industry in the next five years which will trigger a protectionist backlash against US and Far Eastern companies, a market research study sponsored by leading Japanese electronics manufacturers says.

The study finds that most European electronics companies are not planning for the EC's single market and appeared ill-prepared for stiffer competition.

The study, by Cores Europe, a Japanese market research firm, says the EC considers increased competition essential to industrial efficiency but appears to assume the competition will come mainly from European companies.

But "when the competitive pressure comes from Asian or US firms, the rules change. Competition ceases to be a cleansing force and becomes a dangerous threat to European well-being."

Some European electronics companies were pressing for further measures to protect the European market.

Japanese companies needed to avoid aggravating matters by investing too heavily in European plants in an attempt to overcome EC trade barriers. They risk creating excess production capacity.

That problem could be avoided if Japanese companies installed flexible manufacturing systems at their European plants, so production could be switched quickly from one product to another in response to market conditions.

In the 1990s, competitive advantage could well go to companies offering an updated product range, rather than mass-producing a few standard products.

European Community 1992. Cores Europe, 7 Old Park Lane, London W1. Tel 01-409 3535.

Moscow to lend Cairo £200m in move to improve links

MOSCOW will lend Cairo £200m in an bid to improve ties with its one-time ally, Mr Konstantin Katushev, the Soviet Foreign Economic Relations Minister, said yesterday, Reuter reports from Cairo.

Details of the loan were still to be discussed, he said, but the money would be used to buy equipment and spare parts for Soviet-built iron and steel and power plants.

Mr Katushev, heading a trade delegation for a five-day visit, said on arrival that he would review with Egyptian ministers the current trade volume of £600m a year between the two countries.

"I am here to discuss ways of strengthening and boosting trade," he said after meeting Egypt's Economy Minister, Mr Youssri Mustapha.

Egypt and the Soviet Union agreed last year to calculate sterling for trade transactions at a special exchange rate of three Egyptian pounds. The current bank exchange rate is 4.20 Egyptian pounds.

Egypt expelled thousands of Soviet military advisers in 1971 after relying on Moscow for more than 25 years. Relations have improved since President Hosni Mubarak succeeded President Anwar Sadat in 1981.

Plans start to take shape for Saudi smelter

PLANS for a 214,000-tonne aluminium smelter at Yanbu on the Red Sea are starting to take shape as one of Saudi Arabia's largest privately-financed industrial projects designed to diversify its economy away from oil, Peter Montagnon reports.

Among the latest developments is the signature of an agreement between Alujain, the project sponsor, and Gove Aluminium, a subsidiary of Australia's CSR concern, for the supply of 1m tonnes of alumina over 10 years starting in 1992.

With financial estimates now nearing completion, Morgan Grenfell, the UK merchant bank which is acting as adviser, expects to syndicate a major international loan in the second half of this year to help finance the project.

Gove's supply contract will cover about one quarter of Alusa's needs after the project enters production in three years, amid a projected shortfall in world supplies of aluminium.

Based on current industry estimates for the cost of establishing plant, the smelter will cost about $850m (£500m).

Smelting costs are expected to fall in the lowest 10 per cent range for non-Communist producers, according to a study by the London-based Commodities Research Unit.

The commercial bank credit will probably be syndicated without the backing of export credit agencies and will be a limited-recourse loan.

This means lenders will depend on the success of the project rather than any guarantors for repayment.

But its size will depend on the results of a financial study now being completed by Bechtel, the US construction company which is the lead contender to build the plant.

The smelter will use technology supplied by Aluminium Pechiney of France which will operate the plant for 10 years.

Up to half the total cost of the project is expected to be provided by the Saudi Industrial Development Fund through long-term concessional loans.

Around a further 20 per cent will come in equity subscriptions with the balance from the commercial bank package.

UK NEWS

Profits spur growth in factory gate prices

By Simon Holberton, Economics Staff

MANUFACTURERS' profit margins have been responsible for up to a third of the total rise in factory gate prices since 1980, the Bank of England says in its latest Quarterly Bulletin, out today.

As such manufacturer's profits have been a significant contribution to the growth in inflation over the period but less so over the past two years than the Bank first thought.

Recent data suggests that "the tendency of prices to outstrip costs has diminished somewhat as margins approached levels last seen in the early 1970s."

The Bank says in an article released ahead of today's publication of the Quarterly Bulletin that profit margins are expected to narrow in the future because of the effects of high interest rates.

The current tight monetary policy will affect industry through the exchange rate and by slowing the growth of aggregate demand in the economy.

More specifically, it will act on companies' competitiveness and their capacity utilisation.

As competitive pressures rise companies are expected to restrain price rise to maintain their share of markets. Furthermore, companies are expected to be more able to supply their goods at non-inflated prices as demand in the economy slows.

Looking back over the 1980s, the Bank says that while growth in margins has been a feature economy-wide, in the retail sector margins have actually fallen, although the rate of decline has moderated, probably reflecting excess retailing capacity in the UK.

The subdued level of margins has helped "retailed prices" – a measure developed by the Bank to disaggregate the retail prices index to arrive at a measure of retail inflation – to grow slowly since 1985 until the beginning of 1988.

Since then, however, other factors bearing down on price rises, such as a slow growth in costs, weak commodity and energy prices, together with high productivity growth has reversed somewhat.

Government to urge world forum on climate changes

By Richard Donkin

THE GOVERNMENT is to call for a convention on climate change to co-ordinate international monitoring arrangements similar to those introduced for the protection of the ozone layer.

The proposal for a framework convention on climate change will be put by Lord Caithness, the Environment Minister, to next week's governing council meeting of the United Nations Environmental Programme (Unep) in Nairobi, Kenya.

Mr Nicholas Ridley, the Environment Secretary, announcing the move yesterday in answer to a Parliamentary question from Mr Jeremy Hanley, Conservative Member of Parliament (MP), said the Minister would set out the Government's views on international environmental issues, including global warming.

"To ensure that these issues are given the priority they deserve we want to strengthen Unep both in regard to existing functions and in preparation for the major UN conference on the environment in 1992," said Mr Ridley.

"We will call for the urgent consideration of a framework convention on the subject of climate change," he added. "This would establish general principles or guidelines and allow more specific measures to be developed in the form of protocols as scientific and other information becomes clearer."

An international convention on climate change would follow the pattern set by Unep in establishing the Vienna Convention to protect the ozone layer in 1985. The convention paved the way for the Montreal Protocol in 1987 which specified a 50 per cent reduction in the consumption of chlorofluorocarbons (CFCs) by 1999.

Mr Ridley said the Government would also reiterate its support for the Intergovernmental Panel on Climate Change (IPCC) set up by Unep and the World Meteorological Office.

Meanwhile, farmers were told last night to re-shape their attitudes to food production and reduce water pollution in a hard hitting speech by Mr Ridley at a meeting of the Agricultural Forum of farmers and farm retailers in London.

Mr Ridley said that it was "extremely disappointing" to see that pollution caused by farmers had risen by 6 per cent last year.

"The overall position has reached an unacceptable level. The time has come not only for this trend to be stopped, but to put it firmly into reverse," he said.

Mr Ridley warned that the National Rivers Authority, to be established under water privatisation, would take tough action against the small minority of farmers who persisted in polluting the environment through thoughtlessness.

The authority would have the backing of regulations being prepared at the moment, specifying minimum standards for the construction of silage and slurry installations, the source of most incidents.

Mr Ridley also urged greater contact between farmers and retailers. Food retailing must be market-oriented, he said.

Mr Ridley called for a move away from the persistent use of pesticides and said the Government was seeking a more constructive relationship between agricultural and environmental policies.

Earlier, Mr Ridley criticised the European Commission draft directive to protect flora, fauna and habitat as "bureaucratic, poorly thought through and incomplete." He claimed this was the view of every EC member state.

Church drops £4m bombshell on BAe for Lancaster disaster

By Lynton McLain

BRITISH AEROSPACE, heir to Britain's aerospace heritage, is being sued for damages after one of its hangars collapsed on a Second World War Lancaster bomber.

A writ for £4m damages was issued in the High Court yesterday against British Aerospace (BAe) by Charles Church (Spitfires), a company owned by Mr Charles Church, property developer and owner of the bomber.

Mr Church collects old warplanes, preferably ones that fly. Two and a half years ago he bought the bomber from the Strathallan Museum in Scotland, with the intention of restoring it to become the second flying Lancaster to survive. The RAF has the sole remaining flying Lancaster.

BAe transported the bomber to its Woodford site, near Manchester, after the company had agreed in a memorandum of understanding with Charles Church (Spitfires) to examine the bomber.

Mr Church had started negotiations with BAe on a full restoration contract, but the talks were not concluded and no contract was signed for restoration.

In August 1987, the roof of the hangar housing the Lancaster collapsed, killing a BAe employee and damaging the bomber.

Charles Church (Spitfires) claim that BAe was negligent in "keeping the aircraft in a hanger that was unsafe and permitting the roof structure to become overloaded."

Mr Church said yesterday that "despite all efforts by our company to arrive at a reasonable settlement, British Aerospace has not been prepared to accept liability."

Charles Church (Spitfires) wanted to have the Lancaster restored to its pre-accident condition.

"It is extraordinary that such an institution as British Aerospace should have frustrated our efforts to re-create part of our great heritage and tradition," said Mr Church.

Directors of British Aerospace were questioned about the claim for damages at the company's annual general meeting in London yesterday, but they said they had not yet received the writ.

Foreign ventures in N Ireland spur agency to create 5,653 jobs

Ulster reaps record £400m investment

By Our Belfast Correspondent

INVESTMENTS by French and Korean companies helped the Industrial Development Board, Northern Ireland's main jobs agency, promote a record 5,653 jobs last year, according to figures published today.

IDB-backed projects pulled in a record £400m in industrial investment in the year to March 31 and more than 1,500 of the new jobs came from first-time investors from outside Northern Ireland.

Daewoo Electronics became the first Korean company to locate in Ulster when it announced it was setting up an £18m video recorder factory at Antrim creating 500 jobs.

Montupet, the French engineering group, decided to set up a £90m aluminium foundry at the former John de Lorean car plant on the outskirts of Belfast, creating a further 1,000 jobs. It will supply cylinder heads to Ford's new plant in Wales.

In total, the IDB agreed seven new first-time investment projects with a commitment of £106m.

Mr Tony Hopkins, IDB Chief Executive, said competition continued to be intense and Ulster companies would have to fight harder to grow and prosper.

"The IDB will have to compete strongly for inward investment but the recent successes give us greater credibility with potential investors who are looking at Europe in the run up to 1992 and the single market," said Mr Hopkins.

Clark cuts jobs in face of imports

By Alice Rawsthorn

ALMOST 600 jobs could be lost in the west of England due to the closure of two footwear factories by C. and J. Clark, one of the largest manufacturers and retailers of shoes in the UK and a significant employer in the region.

Clark is closing its Redgate factory at Bridgwater in Somerset, in the west of England. The factory, which has a workforce of 375 people and makes women's casual shoes, has been hit by the recent surge of low cost footwear imports into the UK from Portugal, Brazil and South-East Asia.

The level of forward orders for the Redgate factory was so low that the plant would have been on a three day week for the next few months and has made a loss for four of the last eight years and Clark saw no prospect of profitability.

Clark has also announced the closure of its Wandsdyke factory at Bath, in Avon, where 193 people are employed to make children's shoes. This plant has suffered from labour shortages in the Bath area. Clark intends to transfer production to a recently modernised factory. All the employees at Wandsdyke will be offered alternative jobs.

The Redgate factory will close in October, while Wandsdyke is scheduled to close at the end of the year.

Clark, which is privately owned, is the largest manufacturer and one of the largest retailers of shoes in the UK. It employs over 23,000 in its factories and shops all over the world.

In recent months Clark, like the rest of the UK footwear industry, has suffered from the parallel problems of a rapid rise in imports and erratic demand.

Millicom selects British site for European admin centre

By Ian Hamilton Fazey, Northern Correspondent

THE US telecommunication services group Millicom is to build a European administration centre in Darlington, County Durham, creating 1,000 new jobs by 1992. The company's two main UK subsidiaries, which specialise in cellular telephone services and radiopaging, will get £900,000 of Government help with the £5m cost.

The company operates from central London at present, where 300 are employed, but is having trouble recruiting a good enough quality of staff. This, coupled with high overheads, ruled out London for expansion. Darlington was chosen after a widespread search in the UK and Europe – after the company had looked closely at setting up in Luxembourg.

The London base will continue at present levels and the UK will be the company's key European Community operation. Executives say that subsidiaries will be formed in other EC countries as markets expand. They say that most of them are three years behind Britain in mobile communications, but Millicom has already formed a company in the Netherlands, the country which executives believe will catch up with the UK first.

Millicom is not a manufacturer or even assembler of telecommunications hardware, but a service provider. The UK has two cellular telephone networks and Millicom is one of eight providers that subscribers can choose from. It says it has 35,000 subscribers now, is adding 3,500 a month and has been handling 500 connections a day recently. It is forecasting a customer base of 200,000 by 1991.

Mr J. Shelby Bryan, the president, who flew from New York to make yesterday's announcement, said he expected group sales of $100m this year. Sales rose from $1.3m in 1986 to $55.5m last year. The company operated at a loss in its first three years, financed mainly by sales of some its holdings in Racal.

The new centre will be responsible for billing and servicing Millicom's customers. Most jobs will be administrative and clerical, although engineers and computer software staff will also be needed.

Women account for 54 per cent of London employees and most of the new northern jobs are likely to appeal to women.

The company will build a 85,000 sq ft of offices, creating an initial 600 jobs. It expects to expand as the Government encourages a personal microcellular mobile telephone network to create a mass market beyond the present national network, which is geared for business-users.

Shorts sets date for job cuts

By Our Belfast Correspondent

SHORT BROTHERS, the Belfast aerospace company, yesterday confirmed the loss of 700 jobs in a review of staffing levels just weeks before privatisation.

The company said the redundancies were not linked to privatisation but were essential to reduce costs in the face of heavy trading losses.

However, trade union officials accused management of sacrificing jobs in a highly-skilled industry and said the redundancies stemmed from the Government's refusal to invest in the company.

The job losses, which take effect in August, will cut across all three of Short Brothers' divisions – aircraft manufacture, aerostructures and missiles. The company employs 7,700 people and is Northern Ireland's biggest company.

The redundancies had been widely forecast and were foreshadowed in a recent industrial dispute over pay.

Mr Roy McNulty, Shorts' managing director, said: "The redundancies arise not from privatisation but from the fact that we have not increased our output as anticipated.

"The current throughput of work does not justify our current level of employment. To survive in a very competitive world we must achieve productivity and levels of output per employee comparable to our international competitors. Realistic staffing levels and being a leaner and more streamlined organisation are essential for our future."

Short Brothers had record losses of £142m last year and another significant deficit is expected this year.

The Government is expected to decide shortly on a new owner for the company. Ministers are considering bids from Bombardier, the Canadian group, and a consortium of GEC/Fokker.

'Huge' cash injection needed for transport

By Rachel Johnson

THE UK's road, rail and even air links to Europe were inadequate and required huge injections of private investment, Mr John Fletcher, director of corporate development for Trafalgar House, the shipping, property and construction group, said yesterday.

He told a Financial Times conference on transport links with Continental Europe that the Chancellor of the Exchequer's autumn statement indicated that £7.5bn should be spent over the next three years on roads, rail and London regional transport. "This is about half what is required if we are going to get an infrastructure in the right sort of shape to allow our industries to compete effectively in Europe," said Mr Fletcher.

The impending relaxation of the Ryrie Rules, however, marked a step in the right direction, and should be welcomed by the private sector which had been hitherto "thoroughly disheartened at the lack of guidelines the Government had given for financing transport developments."

Mr Alastair Dick, Eurotunnel's planning adviser, said it was crucial for private and public sectors to work together to reduce bottlenecks in traffic movements between centres in the UK and on the Continent.

Investment was required to improve existing infrastructure, increased systems' efficiency with new technologies and connect systems by building missing links.

Mr David Freud, director of Warburg Securities, Eurotunnel's brokers, said the UK's infrastructure provision was an "imponderable" which made traffic and revenue forecasting for the Channel tunnel uncertain. But he predicted that rail users would switch to the tunnel, which was set to dominate the passenger market at the expense of ferries. "There is a risk of oligopoly in the Channel – I cannot think of a single case of ferries competing with a fixed link," he said.

Key factors affecting the UK's links with the Continent were the air transport regulations to be decided by EC Ministers next year, and whether British Rail would convert its track to accept rolling stock built to the Continental guage.

M Jean Bouley, secretary general of the Union Internationale des Chemins de Fer, said BR and the UK should consider adapting key freight and passenger routes to the continental gauge. "This is the way to fight competitively. The Spanish adapted to it last year – one of the most significant railway decisions in recent years apart from the Tunnel."

The single market would mean network, in broadcasting ports pipelines and Very High Speed Trains.

"The staggering prospect is that all current timing between London and the main Continental centres will be halved," he said. The toughest barrier of all to break down would be xenophobia on the part of individual nations.

M Jean-Louis Burckhardt, secretary general of the Union of European Railway Industries, said rail transport was one of the most important means of speeding up completion of the single market.

The Channel Tunnel would be the important first step in an international network of high speed lines covering 12,300 kilometres projected for 1995.

The advantages of such a network spreading across Europe were further highlighted by Mr Jeremy Gotch, managing director, CAIB UK. Over long distances rail transport was more economical than road in terms of manpower and fuel. Eurotunnel would create stiff competition among specialist distribution services, as well as transport companies.

Sir Thomas Stoner, group director of National Traffic Services, said that Eurotunnel would relieve Britain's congested airports from an estimated 5m passenger movements in 1995 – and up to 6m by the year 2000. But Europe's skies he said were still too overloaded, and ways of increasing air space over south-east England by 50 per cent had to be found. Although £600m was planned to be spent on a new air traffic control system there was still an endemic shortage of controllers – 160 in the UK alone.

Europe had to face the problem of unprecedented and unforecasted growth of traffic before liberalisation further increased it in 1992.

UK NEWS

Technical problems may delay launch of BSB

By Raymond Snoddy

BRITISH Satellite Broadcasting, the more than £700m satellite television venture, may have to delay its launch because of the technical complexity of the project.

The consortium which is still advertising a September launch for its three national channels of television has already drawn up contingency plans for delay if receiving equipment is not available in quantity in time.

One option envisages launching only in the London area in the autumn before rolling out nationally at a later date.

Another possibility involves waiting until January or February to launch a five-channel system.

BSB, whose major shareholders include the Bond Corporation, Granada, Pearson (publishers of the Financial Times) and Reed International, has applied for the two additional high power satellite channels assigned to the UK under international agreement.

The Independent Broadcasting Authority is due to make its decision on the channels by the middle of next month. The Children's Channel and ITC Entertainment have also applied for a channel each.

Mr Anthony Simonds-Gooding, chief executive of BSB, said yesterday: "I am still aiming for an early October launch."

The BSB chief executive conceded, however, that a great many things had to be brought together at the same time and with less than three months to go before the launch of the rocket carrying the BSB satellite on August 6 there was now no spare cushion of time.

Mr Simonds-Gooding conceded: "There is a chance of things going wrong and there is a chance of delays."

The BSB chief executive said that if delay became inevitable – a position he said had not been reached – everyone involved would be properly informed in good time.

Earlier this week Mr Simonds-Gooding was in Scotland to announce a £12.5m deal between BSB and the Scottish football authorities and made clear that he would rather delay the launch than repeat the mistakes made by Mr Rupert Murdoch's Sky Television.

When Sky launched there was practically no equipment in the shops to receive the four-channel service and the sale of receiving dishes is still below expectations.

There are repeated suggestions of delays with BSB's Squarial – the 12-inch square flat aerial which is being advertised as virtually the trademark of the satellite company.

One consortium planning to manufacture an aerial designed by Fortel is talking about next spring before volume supplies will be available.

GEC Marconi, the defence electronics company, already has a working flat aerial but no volume orders have yet been placed and it is believed that a minimum of 25 weeks will be needed to get large quantities into the shops.

STC, Britain's second biggest electronics company, has also been talking to BSB about manufacturing an aerial but it is not clear how far the project has got.

Decision to close chip plant deals sharp blow to Plessey strategy

By Terry Dodsworth, Industrial Editor

PLESSEY, the beleaguered UK electronics group, is cutting back drastically on its investment in a new type of high-speed semiconductor after failing to generate sufficient sales.

The decision to trim production of gallium arsenide chips, a technology which was once forecast to succeed the present generation of silicon-based semiconductors, will mean the closure of its plant at Towcester in the Midlands.

The company would not give an estimate yesterday of how many of the plant's 375 jobs were likely to be lost, but in a statement to staff it said that the "majority" of employees would become redundant.

Withdrawal from broadly-based commercial exploitation of gallium arsenide products, which work faster and use less energy than the standard silicon chips, will be seen as a sharp blow to Plessey's ambitions in the semiconductor industry.

The company is the UK's only sizeable domestically owned chip manufacturer, a point which it has emphasised constantly in its efforts to thwart the current takeover efforts of Britain's General Electric Company and Siemens of West Germany.

In the past Plessey has stressed its commitment to gallium arsenide as an example of its ability to compete with the world's leading electronics companies. It has also used the investment as an example of its willingness to take a risk on new technology.

Plessey stressed last night that it was retrenching rather than withdrawing entirely from gallium arsenide production.

Some products will be transferred to its research and development facility at Caswell, also in the Midlands, and others to its defence company.

These changes underscore the problems the company faced at Towcester in finding external outlets for its gallium arsenide products.

When the facility was set up in 1983, Plessey had talked about aiming for sales of £40m by 1990, and investments of up to £50m overall.

Its two principal target markets, the US defence industry and direct broadcasting satellites, have, however, failed to develop at the speed it had hoped.

On the defence side in particular, US companies have created their own capabilities in-house, helped by a $350m government support scheme.

The company still believes it will have significant internal demand for its gallium arsenide products, but says these will be in small niches such as its new generation of radars.

De Savary drops legal challenge over loan

By Philip Coggan

MR Peter de Savary, the British yachtsman and entrepreneur, yesterday dropped his legal opposition to Blue Arrow, the employment group, revealing details of the controversial £25m interest-free loan made to him when Mr Tony Berry was chairman.

The loan, which related to a property project on Canvey Island, Essex, in south-east England, contained a confidentiality agreement but Blue Arrow, now run by Mr Mitchell Fromstein, took action in the High Court to lift the restrictions.

Blue Arrow is now set to post a circular to shareholders tomorrow outlining the details of the transaction.

The circular will reveal the resignation as directors of Mr Berry, of Mr David Atkins, the former deputy chairman, and terms of their compensation. However, Mr Berry is not expected to have been granted any legal indemnities.

An embittered Mr de Savary said yesterday: "Successful commercial activities are not achieved in the spotlight of media focus. Publicity is potentially damaging to the transaction. But I've now taken the view that I might as well join 'em as beat 'em."

Since Mr Fromstein, the former president of US employment group Manpower, took over the Blue Arrow chairmanship, he has made it clear that he would like to unwind the loan.

But Mr de Savary was adamant yesterday that he intended to enforce the terms of the deal. "I stick by my agreements and I intend to honour every term and condition," he said.

Mr de Savary was also unhappy about the way that the Blue Arrow board, and Mr Fromstein, had handled the affair since the loan was revealed at Blue Arrow's annual general meeting last month.

"I didn't do a deal with individuals, I did it with the PLC" he said. "As far as I know, he (Fromstein) hasn't even got a bloody work permit."

Mr de Savary said that the publicity would make it very difficult for him to replace Blue Arrow with another investor.

Ex-Guinness chief names new legal team

By Raymond Hughes, Law Courts Correspondent

MR Ernest Saunders announced yesterday that a new law firm had agreed to handle his defence to the 49 charges he faces in the Guinness case.

The former Guinness chairman and chief executive, who faces the prospect of having to appear in two consecutive trials, was left without lawyers two weeks ago when his solicitors, Landau & Landau, withdrew from the case. They had been unable to negotiate what they regarded as reasonable remuneration from the criminal legal aid authorities to provide Mr Saunders with an adequate defence.

Mr Saunders' new lawyers are the Manchester firm of Pannone Blackburn. The defence team will be led by Mr Rodger Pannone, the firm's senior partner, who is best known for his work in disaster cases. He has represented victims in the Manchester air crash, the Herald of Free Enterprise, Piper Alpha and King's Cross cases, as well as claimants in the Opren drug case.

Mr Saunders, who was arrested in May 1987, was granted legal aid last December after having been refused it four times.

Yesterday he said that after Landau & Landau withdrew he had contemplated defending himself but had decided that that would be "a reckless gamble" in such a huge and complicated case.

However, he added that, although he was very pleased that Pannone Blackburn was taking on his case, "the legal aid funding issues are not resolved."

Mr Pannone said yesterday that the firm had decided to take on the case after careful consideration. Account had had to be taken of the details of the charges against Mr Saunders, the complexity of the case and the fact that any firm of solicitors would require to put on the case not only criminal lawyers but very senior corporate lawyers.

He said the team defending Mr Saunders would consist of himself, Mr Peter Lakin, head of the forensic department, and Mr Tim Wells, a senior partner in the corporate department.

He refused to be drawn on how his firm thought they could manage to conduct the case on criminal legal aid in the light of Landau & Landau's experience.

All he would say was that "We have handled a large number of fraud cases and we are set up to deal with this sort of case."

He commented that the criminal legal aid regulations were not intended to cater for something like the Guinness case and that the criminal legal aid rates were inadequate.

"That is a matter we will have to discuss in due course with the legal aid authorities. Our priority at the moment is to deal with Mr Saunders' defence and establish his innocence – not to enter into a public row about rates of pay."

The Serious Fraud Office, which is prosecuting Mr Saunders and his six co-defendants, has proposed a split trial, with Mr Saunders in the dock in both. The fraud office hopes to begin the first trial in October.

Mr Pannone said he thought it most unlikely that Mr Saunders' defence could be ready by October because the new defence team would have to start from the beginning.

MPs in poll tax clash

By Richard Evans and Ivor Owen

MINISTERS were accused by the opposition yesterday of being openly contemptuous of the law by failing to halt the distribution of the information leaflet on the introduction of the community charge, or poll tax, following a court ruling.

The row over the controversial leaflet, banned from further distribution in England and Wales by Mr Justice McGowan in a High Court injunction on Tuesday afternoon, has thrown the Government's plans into confusion.

The Environment Department succeeded yesterday, however, in bringing forward the court hearing on the contents of the leaflet from May 25 to next Monday.

The leaflet, launched last Monday by Mr Nicholas Ridley, Environment Secretary, was criticised by the London borough of Greenwich for failing to make clear that couples could be liable for one another's community charge.

Venice is the scene for the Glaxo drama

Peter Marsh reports on the appointment of Ernest Mario as chief executive at Glaxo

IT WAS among the palaces and gondalas of Venice, scene of countless liaisons over the centuries, where this week's dramatic changes involving the top jobs at Glaxo were decided on in a potent series of discussions a fortnight ago.

The changes saw the setting down of Mr Bernard Taylor, the highly respected chief executive at Britain's biggest pharmaceutical company, and his replacement, in an expanded chief executive's role, by Mr Ernest Mario, the head of Glaxo's US operations.

Sir Paul Girolami, the 63-year-old chairman of Glaxo, arranged at the end of last month a private weekend meeting with Mr Mario, who has quickly made a name for himself in the company since joining it three years ago.

The Italian-born Sir Paul, who has been the inspiration behind Glaxo's strong growth in the past five years to become the world's second biggest drugs group after Merck, of the US, spelt out to Mr Mario, who is 50, what he had in mind. He wanted the US executive to take over the clear No 2 position at Glaxo, answering directly to himself and taking over much of the responsibility for day-to-day operations.

The appointment entailed the shunting aside of Mr Taylor, the company's chief executive since 1986, who has had a purely co-ordinating role on Glaxo's board, occupying the same hierarchal position as the company's other five directors.

Mr Mario's appointment was followed a few hours later by the resignation of a bruised Mr Taylor, who had worked for Glaxo for 26 years and rejected an offer of staying at the company, reporting to Mr Mario.

Yesterday, a confident and relaxed Mr Mario played down any talk of personal animosity between him and Mr Taylor. He said that, even before the Venice meeting, he had been getting indications that he would be promoted over the top of the British executive.

"There has been no row; the situation just evolved," he said. "Bernard has behaved like a perfect gentleman throughout."

The reshuffle at Glaxo, which gains nearly half its annual sales of £2bn from the US, surprised some observers but, in fact, had been pointed to by several events over the past year.

Mr Mario, who has a doctorate in chemistry and has worked in the US as a pharmaceutical industry manager all his career, has been making a big impact on the group's US activities. Sales in this region have trebled since his arrival in 1986.

Mr Taylor, a quiet and undemonstrative 53-year-old, has during this time been nudged out of the spotlight at public Glaxo meetings by his American colleague. Mr Mario was told some time ago by Sir Paul to spend more of his time at Glaxo's London head office and was appointed to the board last year.

The final sign that Mr Mario – who was born in New Jersey and has never lived in a big city – was to play a big part at the centre of Glaxo was when he rented a flat in Chelsea in March. He and his wife are now looking to buy a house in the capital, although they are shocked at the prices.

Throughout Mr Mario's time at the British company, the close rapport between him and Sir Paul has stood out to insiders.

Sir Paul, who within Glaxo is regarded as a patriarchal figure, joined the company in the 1960s and has been a forceful figure behind the company's recent growth.

The sun-tanned, golf-playing Mr Mario first met the Glaxo chief in the summer of 1986 near the end of the American executive's 10-year stint at Squibb, a leading US drugs company. Mr Mario, who moved to Squibb after spending five years at Smith Kline and French Laboratories (later merged to form SmithKline Beckman), had worked for Squibb in a variety of management roles and was looking for a new challenge.

After contemplating either joining the medical products division of Toshiba, the big Japanese electronics company, or helping to start up a series of small US biotechnology companies, Mr Mario was introduced to Sir Paul by Mr Richard Sykes, Glaxo's research director. The English-born Mr Sykes – who is in charge of Glaxo's highly-regarded long-term research and development programme – had known Mr Mario for some years, when they both worked at Squibb.

Sir Paul and Mr Mario, at their first meeting at a New York hotel, immediately saw eye-to-eye. "We hit it off straight away," said Mr Mario yesterday. "After just one hour of talking to him I felt we were going to have an interesting and productive relationship." Soon after this, Sir Paul offered him his first Glaxo job as deputy head of Glaxo's US activities.

The good feelings Sir Paul has for Mr Mario are clearly reciprocated. "He's incredibly well-read, very energetic, very strong," said Glaxo's new chief executive of his overall boss. "He gives you a frame of reference and then lets you work within it."

What changes will Mr Mario be ushering in within Glaxo? He has a warm, convivial style and during his first full day in his new job at Glaxo's head office yesterday he was completely at home while chatting to junior employees.

Mr Mario described himself as "a pusher" with a focused approach to management. "I believe in leadership by commitment. There is a tremendous excitement at Glaxo and I want to sustain it."

He says he would like some day for Glaxo to overtake Merck as the No 1 drug company but is not consumed by this ambition. "I do want Glaxo to be the best in other ways – in management and as a place where people want to work."

One of the American executive's first pre-occupations, however, will be to find the easiest way to get from Central London to the seaside.

Mr Mario owns a house on the beach in North Carolina near to Glaxo's US head office and says he likes nothing better than to sit on an easy chair by the water's edge and think.

Yesterday – even while he was asking colleagues how far it is to Southend – he was admitting ruefully that the demands of his new job might make the opportunities for this relaxation rather few over the next few months.

Ernest Mario: to play an expanded chief executive's role

FT LAW REPORTS

US state corporation laws help to hinder hostile takeover bids

By Leo Herzel and Richard W. Shepro

In the US the fortunes of takeover offence and defence have been shifting back and forth for years. Innovations such as junk bonds on one side and poison pill rights on the other have been very important, but so have court decisions and new laws and SEC rules.

Recently, without fanfare, two developments have converged so that hostile takeovers may soon become much more difficult in the US.

The newest of these developments is a type of state corporation law that grants boards of directors the discretion to act in what they consider to be the long-term interests of the shareholders, the company and various other constituencies, such as employees, customers, suppliers and local communities.

These new laws would apply even when the board of a target company is facing a bid at a premium price. Combined with "flip-in" poison pill rights the result in many situations could be conclusive – no takeover.

Flip-in rights are warrants that suddenly become valuable when someone acquires a specified percentage of the issuing company's stock without prior approval by the target's board of directors.

The percentage chosen is usually between 10 and 20. All shareholders except the large shareholder can then buy the company's stock at half price.

The intended result is that no one dares to pass the flip-in line, and bidders are forced to negotiate with target boards.

Most large public corporations in the United States have a flip-in poison pill, or can have one on short notice since enactment only requires board approval.

This defence has forced bidders into the courts where they argue that the rights should be redeemed because they are not being issued in the shareholders' interests.

In some states, notably New York and New Jersey, the legal status of the flip-in pill is doubtful because it discriminates among shareholders of the same class of common stock. However, the courts in Delaware and some other states have allowed target-boards to use the pill as a bargaining or auctioning tool.

But, so far, a strategy of using the flip-in pill to remain independent – the "just say no defence" – has failed because of court intervention.

When Grand Met made its high-premium bid last autumn for Pillsbury, it immediately filed suit in Delaware challenging Pillsbury's poison pill. The Delaware court did not interfere with the pill immediately. But when after several months Pillsbury failed to come up with a competitive alternative to the Grand Met bid, the court lost patience and ordered Pillsbury to redeem its pill.

Only a few states, including New York and Indiana, have adopted laws broadening the discretion of directors who are facing takeover bids. Delaware is not among them. However, proposals for similar legislation are appearing across the country. Many of these statutes and bills also include provisions that legalise flip-in poison pills. The New York Statute allows directors who are facing a takeover bid to consider "both the long-term and the short-term interests of the corporation and its shareholders".

New York also passed a temporary statute making flip-in poison pills legal, reversing the position taken by two New York state courts in the Bank of New York-Irving Trust takeover litigation. However, this part of the law expired on April 1, possibly by accident, and it may be revived.

Indiana has gone further. It already had a statute giving directors the discretion to consider the effects of a hostile takeover on the community, employees, customers and suppliers, and anyone else who they might consider relevant.

An amendment passed in February allows directors to consider the long run and says specifically that their discretion is not constrained by any effect their action might have on a proposed takeover or on the possibility of shareholders receiving a premium bid. Furthermore, the right of directors not to redeem poison pill rights is specifically endorsed by the statute.

In short, the logical outcome of these statutes is that they could easily be the long-sought-after defence to unwelcome takeovers. Target boards' defences against takeovers, including flip-in poison pill rights, would be subject to the same business judgment rules as other board actions.

Proxy fights to remove target boards may then become the principal avenue for hostile bidders. However, a satisfactory general solution for hostile bidders through proxy fights is unlikely. Successful proxy fights are much more difficult for bidders to achieve than cash tender offers.

In a proxy fight, the bidder must persuade shareholders either that it can do a better job with the company than its present management, or that if successful it would very quickly buy out the shareholders at a premium. These are hardly sure things compared to a cash tender offer.

Nor would they arouse enthusiasm in the arbitrage market, which, in turn, would have the important effect of reducing the potential anti-management vote.

In addition, more and more companies have significant employee stock ownership plans, which tend to vote with management. The recent approval by the Delaware courts of Polaroid's sale of 14 per cent of the company to its employee stock ownership plan has led to a number of other companies doing the same thing.

An unsolved wrinkle, however, is a Department of Labour release saying that there may be situations when the trustees of these plans would have a fiduciary obligation to overrule the employees' decisions how to vote or whether to tender.

This does not necessarily mean that the number of takeovers would be reduced sharply. It could turn out that a reduction in hostile takeovers would make friendly deals safer and easier to accomplish. Many deals today do not get past the planning stage because of fears that a competing hostile bid would gain the prize or that both companies would become takeover targets.

Although the constitutionality of these new statutes is unresolved, courts have recently become quite deferential to the state legislatures with regard to anti-takeover laws. If a state law does not directly conflict with federal regulations on takeovers it is likely to be held to be constitutional.

A majority of large corporations are incorporated in Delaware. As more states adopt these statutes, Delaware will be under tremendous pressure to do something. The Delaware legislature has the power to put a potent damper on the boom in hostile takeovers.

Will Delaware follow Indiana's lead? The answer depends on how a number of interests in Delaware are balanced.

Managements still have a big say in Delaware, and will press for these changes. But they might have significant opposition from shareholder groups who lobbied hard against the last Delaware anti-takeover statute.

Institutional shareholders appear to be developing misgivings about takeovers, as witness the recent lawsuits brought by insurance company bondholders against the RJR Nabisco leveraged buyout.

In addition, Delaware lawyers may have little motivation to support these new laws. They have grown enormously prosperous under the present legal rules because takeover controversies have been concentrated in the Delaware courts. In corporate legislative matters, the Delaware corporate bar has tremendous influence on the legislature.

The ultimate weapon for hostile bidders against state laws of this sort would be federal government intrusion into the states' traditional role in governing corporations. The SEC probably could not overrule these laws itself without new federal legislation.

So far, Congress and the Administration seem too divided about whether takeovers are good or bad and how they affect foreign competition. Waning public ardour for hostile takeovers, low to begin with, is likely to reduce their desire to intervene.

The authors are partners in the Chicago law firm of Mayer, Brown & Platt.

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COMPANY NOTICES

VOLKSWAGEN
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Wolfsburg

Invitation to the Separate Meeting of Holders of Preferred Shares

We have pleasure in inviting holders of preferred shares to the separate meeting to be held at 3.00 p.m. on Thursday, July 13, 1989 at the Festhalle on the Messegelände in Frankfurt. The start of this separate meeting of holders of preferred shares may be subject to delay depending on the length of the immediately preceding Ordinary Annual Meeting of Stockholders.

Agenda

1. Announcement of the resolutions passed by the Ordinary Annual Meeting of Stockholders on July 13, 1989 regarding authorization to create authorized capital stock
2. Special resolution by the holders of preferred shares regarding approval of authorization of the Board of Management to create authorized capital stock in accordance with the resolutions passed by the Ordinary Annual Meeting of Stockholders and announced under item 1 of the agenda
3. Announcement of the resolutions passed by the Ordinary Annual Meeting of Stockholders on July 13, 1989 regarding authorization to issue convertible or option bonds and creation of further potential capital stock
4. Special resolution by the holders of preferred shares regarding approval of authorization of the Board of Management to issue convertible or option bonds and regarding the creation of further potential capital stock in accordance with the resolutions passed by the Ordinary Annual Meeting of Stockholders and announced under item 3 of the agenda

Entitlement to attend the separate meeting and to exercise voting rights is restricted to holders of preferred shares who in accordance with the Articles of Association deposit their shares or the certificates of deposit of their shares from a bank for central depository of securities at the latest by July 5, 1989 at the depository below, at a notary public or a bank for central depository of securities and leave them there until the end of the separate meeting.

Depository in Great Britain is:–

S.G. Warburg & Co. Ltd.
2 Finsbury Avenue, London EC2M 2PA

It is also permissible with the agreement of a depository to hold the shares at another bank and block them until the end of the separate meeting.

Wolfsburg, May 1989 **The Board of Management**

VOLKSWAGEN
Aktiengesellschaft
Wolfsburg

Invitation to the Ordinary Annual Meeting of Stockholders

We have pleasure in inviting holders of ordinary and preferred shares to the Ordinary Annual Meeting of Stockholders to be held at 10.00 a.m. on Thursday, July 13, 1989 at the Festhalle on the Messegelände in Frankfurt.

Agenda

1. Presentation of the confirmed financial statements, the consolidated financial statements, the Management Report and the Group Management Report for the year ended December 31, 1988 together with the Report of the Supervisory Board
2. Resolution on appropriation of net earnings available for distribution
3. Ratification of the actions of the Board of Management
4. Ratification of the actions of the Supervisory Board
5. Resolution on the creation of authorized capital stock and the appropriate amendment of the Articles of Association
6. Resolution on the authorization to issue convertible or option bonds, creation of further potential capital stock and the appropriate amendment of the Articles of Association
7. Adjustment of the potential capital stock created in 1984 and the appropriate amendment of the Articles of Association
8. Appointment of auditors for the fiscal year 1989

With respect to items 5 and 6 the holders of non-voting preferred shares will decide on the passing of a resolution at a separate meeting to be held at 3.00 p.m. on the same day regarding their approval of the resolutions passed at the Ordinary Annual Meeting of Stockholders.

Entitlement to attend the Annual Meeting of Stockholders and to exercise voting rights is restricted to stockholders, and with regard to voting rights to holders of ordinary shares, who in accordance with the Articles of Association deposit their shares or the certificates of deposit of their shares from a bank for central depository of securities at the latest by July 5, 1989 at the depository below, at a notary public or a bank for central depository of securities and leave them there until the end of the Annual Meeting of Stockholders.

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It is also permissible with the agreement of a depository to hold the shares at another bank and block them until the end of the Annual Meeting of Stockholders.

Wolfsburg, May 1989 **The Board of Management**

LANCASHIRE & YORKSHIRE ASSURANCE SOCIETY
NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the tenth Annual General Meeting of the Lancashire & Yorkshire Assurance Society will be held on Thursday 25th May, 1989 at 12.00 noon at The Rotheram Moat House.

AGENDA

1. To receive the Annual Report for 1988.
2. To receive the Accounts for the year ended 31st December, 1988 and the Auditors Report thereon.
3. To receive the Actuarial Valuation and Report as at 31st December, 1987
4. To re-elect Rear Admiral H.C.N. Goodhart CB as a Member of the Committee of Management
5. To transact any other ordinary business of the Society.

By Order of the Committee of Management, 17th April, 1989.

Moorgate Hall,
Moorgate Road,
Rotheram. S60 2AQ.

Any member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Society.

A Form of Proxy may be obtained from the Registered Office of the Society and, in order to be valid, must be deposited at the Registered Office not less than 24 hours before the time appointed for holding the Meeting.

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- Approval of the shareholders' waiver of their preferential rights to subscribe securities that the Extraordinary General Meeting of shareholders on May 10, 1989 (eventually deferred to May 19, 1989) will authorise the Board to issue.
- Decision on the method of recording the documents of the general meeting.

To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these bonds and from whom proxies or admission cards can be requested.

The Board of Directors

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Market research

Why brands must catch the flowing tide of the New Wave

Philip Rawstorne reports on the fickle preferences and attitudes of Europe's youth

The West European youth market may be declining in size but it will exert just as much influence on work, leisure, and social values as the baby-boom generation that preceded it, says a report published yesterday by the advertising agency, McCann-Erickson.

"These are the first children of Reaganomics and the policies of the European Community," says the report. "The New Wave young . . . is the first generation to grow up in the service and consumption-led information economy, and its exposure to communications technology has shaped values and expectations in a new way."

The McCann study, carried out via 10,000 individual interviews and 40 group discussions in 10 countries, concludes that marketers who do not establish their brands in the New Wave generation will endanger their future markets.

"Brand loyalties are developed in teenage years now," it says. "For these young people, brands are used as badges; as ways of demonstrating individual identity."

In contrast with their predecessors who, a decade ago, wanted "happiness" and "fulfilment", Europe's young people today wanted "personal success". This meant getting a good job, getting a foot on the ladder, "making it on your own terms".

The young were not uncaring – but vague altruism interested them less than practical action. Money was important to them, not as an end in itself but as a doorway to consumption.

"They have been brought up to consume goods and services. Consumption demonstrates that they, as individuals, have value. Acquisition of things has become a rather casual affair . . . to do with want rather than need. They acquire in order to display.

"So it is quite natural for them to make their durables disposable. They swap and share goods. For them, consumer goods are a kind of currency . . . a means of buying a reputation.

"Young people are exceptionally brand-aware. They buy and display brands to express a personal, individual sense of style and self-expression."

The New Wave's lifestyle, the study suggests, is a never-ending mix and match. "Anything goes . . . so long as it fits the code. And what goes today may have gone by tomorrow."

All this would pose problems for marketers who had previously focused on consistency to build brand values, the study suggests. "Saying something current (and therefore relevant and interesting) may be more important than being consistent. This means more frequent new campaigns and more ads per campaign; and a sea-change in our philosophy of branding."

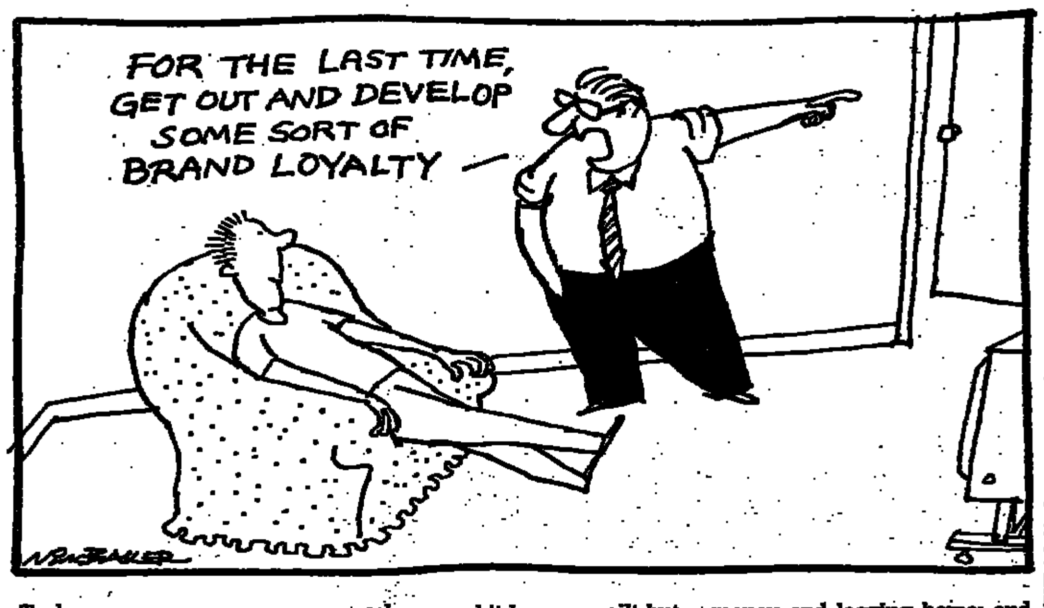
Creative instinct or intuition would become more important in advertising. Product benefits were likely to take a back seat to style, mood and wit. The appeal was more likely to be successful if understated and subtle – a picture would be worth at least ten words.

But while the young people of Europe had, in many respects, become more homogeneous, the study found there were still significant national variations in attitude and behaviour.

British youth was more interested with the outward trappings of success and less concerned with inner values than other nationalities. It was more traditional, conservative and tough-minded.

The French were also concerned about their own success, but were more relaxed than 10 years ago in their moral attitudes. They were health-conscious; and the least likely of all young Europeans to like "junk food".

Greek youngsters showed much anxiety about the future, probably because of economic troubles and relations with Turkey.



The Finns were the least anxious of all Europeans. Their concern for the future centred on self-development and such values as peace of mind. They were also the most advanced in terms of equality between the sexes.

The sex war, by contrast, still persisted in Italy. The Italians were the most anxious of all young Europeans about the future as they were confronted for the first time with a decline in authority of church, government and parents.

Dutch youngsters saw themselves as a bit lazy or spoilt but also as honest, active, open and modern.

Young Germans expressed more caring and "green" values than other Europeans. They were more concerned about making friends and developing close relationships – part of a trend, shared by the Swedes, for instance, towards more open and easy attitudes all round.

Enjoyment was highly rated as a life ideal in Sweden – having friends, having fun, sport. There was less anxiety about such problems as jobs, money and leaving home; and little tolerance for unemployment or for anti-authoritarian, rebellious attitudes. Sex equality was well established.

Norwegians were the most conservation-minded; and the most worried about natural catastrophes and nuclear threats.

In Spain, the rebelliousness and protest evident after the death of Franco, had subsided. Extremes of emotion had given way to a consistent and more traditional set of attitudes.

The New Generation, McCann-Erickson, £25

The Oxo mum lives on ... but

Advertising and marketing executives seeking strategies to lure women into leisure markets in the next decade need to consider a fresh approach without clinging on to the stereotypes of the past.

The Henley Centre for Forecasting suggests this in its latest review of the leisure industries. "Women are an undeveloped segment of the leisure market and one offering significant opportunities to the industry in the 1990s," it says.

But it points out that while women's lives are undoubtedly changing, "companies must beware of replacing old-fashioned stereotypes with new but equally unreal ones."

The key factor emerging from its analysis of women in the 1990s, it says, is that women's lives are increasingly diverse. "They do appear to retain the traditional, more conservative attitudes of the home but combine them with other values associated with their roles as employees and independent people."

Nevertheless, Henley argues that while the increasing affluence and confident spending decisions by women makes them a key consumer group, they will continue to be constrained by their lack of leisure time.

"The key challenge for leisure industry practitioners is to find ways of tapping the new-found discretionary spending power of the next generation of women while recognising that the one commodity which they have in short supply and therefore value most highly is time itself," says Henley.

In practical terms, therefore, it believes that women will look increasingly for convenience in their leisure activities. This is likely to affect holiday patterns, with holidays which cater specifically to family needs being well supported, it says.

Henley's overall message to marketers, however, is simple: "The Oxo mum lives on, but she is more confident, busier and more aware of what she wants in life."

* *Leisure Futures: Henley Centre for Forecasting, 2 Tudor Street, Blackfriars, London EC4Y 0AA. £875 a year.*

David Churchill

Something to make an exhibition about

Jennie Phipps is very serious about the value of exhibitions. As general manager of Marcex, which is organising next week's Body Business Exhibition at Alexandra Palace, she has a £120,000 budget to promote an event aimed at encouraging trade buyers for a whole range of leisure and health equipment and services.

"Some exhibition organisers tend to take visitors for granted but we feel they are very valuable to us," she maintains.

Just how valuable they are has emerged from two new studies of the UK's exhibition industry published by the Exhibition Industry Federation, the body formed recently out of various trade associations to act as a co-ordinating force for the sector.

The survey – the most comprehensive ever undertaken by the industry – shows that last year British and overseas visitors to exhibitions held in the UK spent some £475m in total while attending the 651 main exhibitions held in the UK. This was roughly half the total expenditure of £1bn on exhibitions held in the UK when spending by the exhibitors themselves is taken into account.

The figures, prepared by the EIF and the Centre for Leisure and Tourism Studies at the Polytechnic of North London, represent a major attempt by exhibition organisers to produce credible statistics about a marketing medium which has traditionally been chosen more by luck than judgment.

"We are now able to satisfy our most demanding clients," claims David Fasken, the EIF's chairman. "Now managing directors, marketing directors, and advertising agencies can measure the size and growth of our medium."

Exhibitions have been seen as the Cinderella of marketing support services for too long, so those in the industry believe. They feel that the economic buoyancy of the 1980s, combined with the claimed cost-effectiveness of exhibitions in comparison with other marketing methods as a means of reaching sales targets, has given the industry a new importance ahead of the 1990s.

The EIF's survey, for example, shows that the number of exhibitions last year at 651 was 39 per cent higher than the 467 which took place in 1984. At the same time visitor attendance has grown from 7m in 1984 to 9.5m last year.

The value of the new EIF research, however, lies in its analysis of who actually goes to exhibitions in the UK. Transport planners, hotel and catering operators, and exhibition venue owners have a clear need to know so that strategies can be planned accordingly.

Not surprisingly, the survey shows that British residents attending an exhibition only for a day make up the bulk (85.5 per cent) of visitors.

Yet because they are not staying overnight and incurring accommodation costs, domestic day visitors account for only £194m – or 40 per cent – of total visitor expenditure of £475m.

The day visitor will, on average, spend £11.59 getting to and from an exhibition, £7.80 on meals and drinks, £2.80 on shopping, and £1.61 on entertainment.

Overnight (but still based in Britain) visitors to exhibitions accounted for some 12.5 per cent of the total – but represented almost a third of all visitor expenditure.

The £177.44 average spend for this type of visitor comprised £76 for accommodation, £43.09 for accommodation, and £35.15 for meals.

"The longer time spent at the exhibition location generates a far higher level of shopping and entertainment," the EIF points out. On average, this represented some £19.61 spent on shopping and £9.58 on entertainment.

But it is overseas visitors to exhibitions – who only account for 2 per cent of the total in volume – who spend a massive £539.69 per trip (excluding air fares) and account for some 28 per cent of all spending.

The survey found that £274 per person was spent on accommodation by overseas visitors covering a shopping spree of £104, ahead of the £97 spent on meals and the £45 on entertainment. Local transport only cost on average £19.69, although the report points out that total average spending on fares amounted to £580 per person.

Analysis of the survey revealed, not surprisingly, that most Britons travelled to exhibitions by private car (twice as many as went by train). Overseas visitors, however, were more likely to use the bus or underground, followed by a hire car.

Both domestic and overseas visitors, however, clearly preferred medium-priced hotel accommodation to more expensive first-class hotels. But one in every five stayed with friends or relatives when visiting an exhibition.

Other trends identified by the survey include the fact that people spend very little inside exhibitions (especially trade fairs); some 55 per cent of visitors spent £5 or less last year.

January and February are the most popular months for overseas visitors to come to Britain for an exhibition.

Most popular exhibitions last year were computers and office equipment, do-it-yourself, motors, and food, while consumer shows such as antiques and art as well as electronics and furnishings were on the way down.

Ironically, the EIF's survey and analysis of the UK exhibition industry – the most comprehensive ever undertaken – has come at a time when the sector's main problem is that it is fast becoming a victim of its own success.

Michael Rushridger, chief executive of Reed Exhibitions, which is the largest UK exhibition operator, says that the main problem is a lack of capacity.

"It's a sellers' market, with not enough space to go round," he maintains. "The biggest single need is for a major new exhibition facility in London. Until then, exhibitors will have to put up with smaller shows."

David Churchill

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Interested candidates should write in complete confidence to Belinda Worlock, enclosing a comprehensive curriculum vitae, including current remuneration and day time telephone number, quoting reference LM849, at Spicers Executive Selection, 13 Bruton Street, London W1X 7AH.

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TECHNOLOGY

The key to following the slippery trail of data towards 1992

Paul Abrahams reports on databases designed to inform business people about measures ushering in the single European market

The speed at which European Community bureaucracy works may be snail-like. But if you take your eyes off a snail for a short while, it can disappear all too easily.

Yet despite the slowness of developments in Brussels, it is becoming essential to keep track of the measures leading up to the single market after 1992.

By the end of last month, 117 of a total 279 Commission directives had been adopted. They affect everything from investment in new factories – because of changed rules on health and safety – to the need to adapt accounts software to deal with new VAT regulations.

However, despite the significance of these measures, businesses have considerable difficulty in keeping up to date with the information emanating from Brussels. Jennifer Shaw, manager of the London-based Centre for European Business Information, says that one problem is the sheer volume of data. Most businesses are only interested in a tiny proportion of the information – so ease of sifting is crucial.

One way to keep track of both the obligations and the opportunities created by preparations for 1992 is through electronic databases. These can be used to sort through the data to find legislation affecting a particular sector.

There are problems associated with databases, however, and Shaw says that they are mostly used by professional researchers and other intermediaries, rather than by people involved directly in business.

The main difficulty is one of gaining access to the information. Shaw explains that the databases available from the European Commission were originally developed for internal use. This means that their design is often inappropriate for the business person.

For example, the two main databases that she uses, called Celex and Ted, have different command languages with different sets of key strokes to access information.

Ted (Tenders Electronic Daily) is quite easy to use, says Shaw. If she were trying to find out what information had been entered on to the database today, she would enter, "F" for find, "PD=" for publication date and 890511 for today's date.

Celex, however, is more difficult. It is a legal database providing details about treaties and legislation, cases at the European Court of Justice, and proposals and resolutions of the European Parliament.

If a business were using Celex to search for changes to the laws governing the manufacture and marketing of scampi, for example, it would need to know which of the 25 sections within the database to search. This requires considerable knowledge of how the Commission operates. It would be necessary to know whether the item might be found in, say, legislation, a directive decision or a parliamentary question.

Another difficulty associated with accessing information on Celex is the use of key words. In theory, a scampi manufacturer ought to be able to enter the word "scampi" to find out whether any of the legislation will affect the product. Unfortunately, this is not the case.

Shaw explains that with most European Commission databases, it is necessary to have some knowledge of the "Eurobabble" used by the bureaucrats. She gives the example of one client searching for data about measures affecting car rental companies. Unable to find any references to the subject, he later discovered that he should have been using the word "auto-leasing".

Because of such problems there has been a move towards menu-based systems, which are easier for the layman to use because options can be selected from a list on the screen. A number of databases have been supplied with glossaries of key words and entries have been translated into plain English.

Shaw says that although her organisation has access to about 18 databases from the European Commission, it only generally uses two – Celex and Ted – when serving the needs of small businesses.

Celex might be used, for example, to discover if there had been any legislation on the right of professionals to practise in various EC countries. It also offers information about possible future legislation and so is often used by lobby organisations in Brussels. Not least, it gives them advance warning of proposals so that they can prepare their case before the debate.

Ted provides information about requests for tenders for public contracts, mainly for construction, offered by the EC's 12 member states and most of the Gatt (General Agreement on Tariffs and Trade) countries.

Shaw explains that Ted is particularly useful because it is updated daily. Many of the deadlines for tenders are only eight weeks after official publication on hard copy – too short a period to put together a serious proposal. So the database also offers details about proposals before they are officially available.

Another database commonly used is Spearhead, offered by the UK Department of Trade and Industry and Profile Information, the electronic data service. Shaw says that this is one of the easier services to use and offers information about measures being discussed and proposed, as well as those adopted.

Mike Gardner, deputy managing director of Profile, part of Financial Times Business Information, says that if the database is used properly it can show the effect that legislation will have in many sectors.

He gives the example of one client in the drinks industry who found that he not only had to list contents and additives on the outside of bottles, with special syntax and vocabulary in letters of a particular size, but he also needed to use a special type of glue to keep the labels on.

Two databases supplying information about the opportunities provided by the single market are Euroloc and Aims. These services are offered by the European Policies Research Centre at Strathclyde University. Aims gives details about financial assistance available in the UK from the European Commission and the British Government.

Euroloc supplies similar information, but for the whole of the EC. Douglas Yuill, a director at the Strathclyde centre, explains that the service covers five main points:

- What is the assistance? Is it a loan or grant?
- Is it available to the company looking for information?
- How much can the company get?
- What is the catch? Yuill says that few businessmen believe in free lunches.
- Where can further information be obtained?

However, despite the increasing number of services available and attempts to make them more user-friendly, not all of those involved in the industry are convinced that electronic databases are useful to the generalist.

"Many of these services only offer a first cut. In the wrong hands they can be positively misleading," says Michael Clarke, a consultant at C&L Belmont, a division of Coopers & Lybrand International. "You need to know a lot about both the company and the legislation to make a sensible search and avoid getting the wrong end of the stick."

Although a few of the databases appear easy enough for business people to use directly – for example, both Euroloc and a service called Info 92, due to be launched this summer by the Commission, use menus – it seems that if the company has to sift through a variety of databases, it is best to use intermediaries to do the searches. Otherwise the snails in Brussels could start spoiling the scampi.

Call for more money to back ferrets in UK defence labs

Defence Technology Enterprises, the City venture which has been infiltrating "ferrets" into Britain's defence research establishments to find inventions that might be turned into commercial products, is seeking new investors.

DTE believes that it has discovered some promising ideas, such as the all-purpose family of laser sensors invented by the Royal Signals and Radar Establishment, Malvern, for which it has already signed eight commercial licence agreements. The laboratory has developed prototypes of sensors that can detect gases and measure the size of aerosol particles, for example. They can also be used to follow the behaviour of a complex fluid, such as the fermentation process in a bio-reactor.

Sir Francis Tombs, chairman of the Government's Advisory Council on Science and Technology, introducing a study of UK defence research and development last week, drew attention to DTE's success.

The three-year-old company has welcomed UK Government plans to create a Defence Research Agency in 1991, giving its defence laboratories greater freedom to seek research contracts outside the defence sector. But DTE has found that more time and money must be spent on military inventions than its backers expected to turn them into saleable civilian products.

Some of the nine City investment houses which pooled venture capital to set up DTE in 1985 are no longer dealing in venture capital. Also, the company is broadening its interest in technology transfer beyond the defence sector, says Bernard Herdan, the chief executive. Outlining the new five-year plan, he said that it would become "an extremely profitable operation."

DTE is the brainchild of a group of British investment houses led by Lazard Brothers. The aim is that it should act as a vehicle for the profitable transfer of defence technology into the civil sector. Its chairman is Mark Burrell, formerly of Lazards and now a director of the Pearson group.

The company has placed its employees within four defence research establishments to ferret out inventions which have commercial potential. In principle, it has access to all of the MoD's research and development, except that of the Atomic Weapons Establishment, Aldermaston.

Its ferrets have compiled a portfolio of 500 promising inventions and the company is marketing 60 of them.

But DTE must become more than a technology broker, Herdan believes. It must be prepared to spend its own money on the military ideas, for example, to develop a demonstration that is credible to non-military manufacturers.

In addition to the ferrets, DTE has begun to second researchers to MoD laboratories to help in the transfer of ideas to the civil sector. At the same time, UK defence companies have begun to invite DTE staff into their laboratories.

The company, based at Milton Keynes, has a team of 30, mainly technically qualified, people and a turnover of £750,000. Its investors have put in £1.8m.

It has negotiated about 40 licences, for which the licensees estimate that they will pay royalties to DTE of about £7.5m over the next eight years. A further 20 agreements, with the potential for earning another £16m over the same period, are being negotiated.

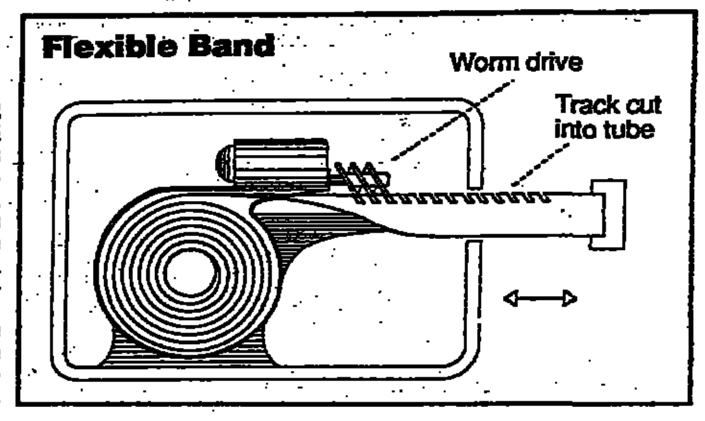
Herdan forecasts a £10m turnover for DTE within five years. But he is seeking another £2m of venture capital to develop more of the ideas found by the ferrets.

Talking of the company's appeal to investors, he points out that Lazards has retained it to co-manage the Lazard Defence Fund, which specialises in providing venture capital to unquoted companies that are seeking new defence ventures. The fund has about £4.5m invested.

DTE, although launched with Government backing, has been given no guarantee of support from the proposed Defence Research Agency. But Herdan is confident that the new agency will co-operate.

He cites, for example, the "technological maps" compiled by his ferrets to pinpoint pockets of expertise in four defence laboratories embracing 12,500 staff and a total budget of about £360m a year.

He sees the proposed agency as a mechanism for focusing Britain's defence research objectives more sharply on needs and returns, rather than on scientific challenges.



ONE IDEA which excites DTE owes nothing to ferrets and defence research. Two years ago an inventor in the company's home town of Milton Keynes invited it to exploit his patented idea for a composite material that can transform itself instantly – and reversibly – from roll into tube.

Colloquially known as the "collapsible conduit", the product's – and the eponymous company's – formal name is Flexible Band. It is a material which can be rolled up flat like a tape measure but uncoils to form a tube. Paul Foster, responsible for marketing it, says that a kilogram coil could, for example, be unfurled at the bottom of a mine to form conducts for cables or ducts for ventilating mine gas.

Tent makers are showing an interest in using the band to make compact poles, says Foster. Put a mechanical drive on the coil and you might use it to shoot a camera forward, as far as 30 ft, in response to a security alarm.

The material consists of a thin ribbon of beryllium copper alloy, a strong, springy material but only 0.005 in thick. This is heated above its elastic limit and curved to form a tube. Then it is flattened again and fabric is glued on to both sides to produce the composite.

The fabric and glue serve to even out local stresses and prevent rapid buckling, as happens with a flexible tape measure. Foster claims the composite can be seven times as strong as the alloy, yet it can be cut easily with scissors.

It is inherently inexpensive because so little metal is used. British Steel is interested in making it still cheaper by substituting a cold-rolled steel of the kind used in flexible tape measures.

David Fishlock

ARTS

CINEMA

Survival instincts

THE COMMISSAR
Aleksandr Askoldov

THE NAVIGATOR
Vincent Ward

GHOSTS OF THE CIVIL DEAD
John Hillcoat

A TIME OF DESTINY
Gregory Nava

HER ALIBI
Bruce Beresford

TREE OF HANDS
Giles Foster

The delayed-action thawing process known as glasnost is reminiscent of those days when we defrost the fridge. We unplug the machine and go into another room. Then two hours later, just when we have forgotten about it, there is a noise like an avalanche, and ice and melted water are all over the kitchen floor.

In like fashion "lost" Soviet masterworks are still appearing long after we thought we had had the lot. From the unplugged fridge of Russian cinema, please now welcome Aleksandr Askoldov's *The Commissar*. Made in 1967, it was banned by Brezhnev and brought to light only in 1988, whereupon it won a Berlin Silver Bear and warm raptures on last year's festival circuit.

This rueful tragicomedy about a Jewish family during the 1920s Russian civil war, when Jewish persecution was not so much a pogrom more a way of life, is the best movie to have emerged from the Gorbachev thaw. Its premise is faintly preposterous: that a large, pregnant lady Commissar (Nonna Mordyukova) would hide out with the family to have her illegitimate baby, while the wars sweep on around the village. But sauced by satire and sweetened with compassion, the plot becomes a deliciously swallowable comedy of adversarial manners.

Here is Miss Red Army Butch Number, who enjoys thrashing herself with twigs and blowing on her breasts to cool them. And here are the gentle Jews, stirred but not shaken by the blast of history, who embody humour, humanity and a reed-that-bends survival instinct. Askoldov gives the wife the tiny spurts of indignation: "Do you think just because a woman dons leather trousers she becomes a man?" she asks her husband, smitten with the Commissar's machismo. And he gives the husband, (Rolan Bykov, a Ron Moody re-drawn by Rembrandt), a self-mocking wit that is ancestor to a whole tradition of 20th century Jewish comedy. "On the first day God created the potato," he intones one moody day in the kitchen. "On the second day God created the potato. On the sixth day, why the hell did he create us?"

The wonder of *The Commissar*, Askoldov's only film, is its confident mixing of styles. It blends not just comedy and pathos, domestic miniaturism and historical sweep. It also mixes naturalism with a mock-Eisensteinian symbolic fantasy. The Commissar opens her mouth in one shot and machine-gun noise comes out. Two children playing with a doll mimic their grown-up masters by lining it against a wall ("Come on, citizen, you've nothing to fear") and shooting it. And in the film's best scene, an impromptu dance in the Jewish home becomes a surreal montage of bobbing, luminous heads in an encircling darkness: the human spirit capering its defiance even in a world fast approaching midnight.

★

We have long known that, due to geographical circumstances, people in the Antipodes walk upside down. Now two fascinating films from Down Under suggest their cinema is doing the same. Both Vincent Ward's *The Navigator* and John Hillcoat's *Ghosts Of The Civil Dead* turn expectation on its head. The first begins in Mediaeval Europe and then propels its characters into modern New Zealand. The second is set in a penal future world where every prison-movie cliché you ever met is dethroned or subverted.

The Navigator is a wonderful idea in search of a likewise movie. In the 14th century, when the world was in black-and-white and resembled one of Tarkovsky's vast lunar landfills, a band of ragged pilgrims flee the Black Death. Shouting runic utterances ("The evil keeps striding forward with each moon"), they discovered a hole leading to the other side of the Earth. Burrowing zealously, they reached the Antipodes, where the 20th century has arrived and cars roar around them. Their plague-appeasing mission – to plant a certain cross on the spire of a certain church – takes on an entirely new flavour.

Ward's film is what Hollywood would call "high-concept." It has a catchy, even brilliant central idea: but little around that idea measures up to it. The visual bravura of the Mediaeval sequences – rolling clouds, beetling crags, burning dawns – is let down by some dial-a-peasant dialogue and Pythonesque crowd acting. And once in the Antipodes the film chugs on through dwindling variations on its one major theme (the shock confrontation of Past and Present), losing its power to surprise even as it assails us with allegorical portentousness.

Ghosts Of The Civil Dead never loses its power to surprise. Welcome to a state-of-the-art slammer. Lean and gleaming, it stands somewhere in the desert (country unspecified), Sci-Fi's answer to a New Generation prison. "We are the future in containment" burbles a robotic female voice inside, soothing as an air hostess, over the Tannoy. Video monitors spy on every cell: their flickering, bluish images keep usurping the screen. Voices and images surreally mismatch: we watch one cell and its inmate while eavesdropping on conversations from another. There are beatings, a rape, a murder, a riot.

This is the future in fragmentation. Goodbye, cogent narrative; hello, Assemble-Your-Own-Movie. In this first feature from Australia's John Hillcoat, something only louchely resembling a story unfolds. A "lockdown" has been enforced at Central Industrial Prison (privately run) and the movie is a giant flashback telling us why and how.

The jagged jigsaw that ensues cuts the fingers even as it enthrals the mind. The pieces do not quite fit together even by the end: but then that is what prisons are about. Who is the grizzled convict we glimpse doing solitary in a phosphoric shaft of light? Has the young psychotic who screams round-the-clock obscenities been sent in as a provocateur by those in power? When is a tattooing not a tattooing? (When it's a torture session.) And as the technology of video surveillance blurs the prison's populace into one *ghostly chorus of fear and vigilance*, how do you tell the guards from the inmates?

This is a prison movie with no hero, no "plot," no sealed-and-signed message. But as awful warnings go, it is awfully powerful and worth the hearing and heeding.

★

The week's other films you may pray to encounter on a long-haul air flight. They should ensure a few lightheaded giggles followed by prolonged unconsciousness.

In *A Time Of Destiny*, written and directed by Gregory Nava (of *El Norte*), we are asked to swallow the idea of William Hurt as the vengeful son of Basque-American peasants. Speaking personally, I would find it easier to swallow a hatful of live mice. Hurt twists his white Anglo-Saxon features and Harvard vowels into a semblance of Latin passion as an eloped girl's brother who swears to kill the young man (Timothy Hutton) who married his Sis and accidentally totalled his Dad. (Dad died in a rainy car-chase on elopement night.)

So he fights alongside Mr Hutton during WW2; he almost kills him under cover of enemy fire; but finally he has a showdown with him back in the US in the bell-tower of a Spanish mission. (Production designer, Henry Bumstead of *Vertigo*.) With its dotty plot, schmaltz-fuelled Ennio Morricone music, nods to Hitchcock and spell-it-out-for-simpletons dialogue ("I'm going to get revenge." "You don't understand, no one understands"), the film leaves one with no head-scratching to do over why it has taken two years to reach British screens.

Murder is afoot, and feet are in mouths, in the clodhopping thrillers *Her Alibi* and *The Tree Of Hands*. In the first Tom Selleck plays a mystery novelist who helps a beautiful, KGB-chased Roumanian (Paulina Porizkova). On screen, lots of arthritic plot-twists and knock-about set-pieces (including a clown-party climax): in the cinema, lots of anxious glances at the exit door. Bruce (*King David*) Beresford directed.

The Tree Of Hands, based on a Ruth Rendell story, is full of mysteries. Why is Lauren Bacall overacting? Why is her London-based daughter (Helen Shaver) so indecisive about returning the baby Bacall has just kidnapped for her, Shaver's own having died? Above all, why is so much proven British talent (actors Peter Firth, Paul McGann, director Giles Foster) wandering around giving the impression of having caught the wrong bus to the wrong movie studio? Drably shot, dingily scripted and deeply, deeply implausible.

Nigel Andrews

Nonna Mordukova in "The Commissar"

Boris Godunov

GRAND THEATRE, LEEDS

The version of *Boris* chosen by Opera North for their tenth anniversary season at the Grand Theatre Leeds is the first, of 1869, in seven scenes – a taut, concentrated drama innocent of any "operatic" padding, exerting an inexorable grip on an audience, especially when given, as on Tuesday, with only one interval. The company's artistic director, David Lloyd-Jones, has lived with this work all his life, having edited and translated it, and indeed conducted it elsewhere, but it must have given him (as well as the Leeds audience) especial pleasure to be performing it with his own forces based on the orchestra and chorus, both on marvellous form, that remain Opera North's strongest assets.

Mr Lloyd-Jones made a positive virtue of Mussorgsky's spare, supposedly difficult scoring: the textures had their own special and not inappropriately barbaric splendour, and the sound was overwhelming in this ideal-sized theatre. The only really tricky episode in *Boris* mark one is the Pimen scene (longer than it became in 1872), and the way Mr Lloyd-Jones kept it unobtrusively on the move was just one of many admirable aspects of an evening of distinguished music-making.

The combination of this austere drama and a director of Ian Judge's proven theatrical flair paid off handsomely. One might quarrel with the odd detail – the wind howling between the scenes, perhaps one too many showers of gold – but no one could doubt the evening's tremendous dramatic power, or the impression of spectacle achieved within Russell Craig's clever permanent set. The audience applauded the curtain-rise on St Basil's Cathedral, and for once one couldn't blame them. It was stunning. The opening (silent) scene of Boris witnessing the Tsarevich's murder may have upset purists, but the logical mistaken identity at the end of the Study Scene with his own son, and the sight of the child's shade absolving the tyrant at the moment of his death, were two moments of considerable insight.

John Tomlinson sang the title role. Worries about his comparatively narrow dynamic range (forte to double fortissimo)and limited tone-colour mattered less here than in some other roles he undertakes: he sang Boris quite magnificently, with a freedom at the top that bodes well for his first Wanderer at Bayreuth later in the year. His no-holds-barred characterisation – all wild eyes and flying hair (at times he looked uncannily like Boris Christoff) – worked simply because it was so deeply felt, so innocent of artifice. This remarkable young bass has done nothing better.

He was ideally matched with Kim Begley's creepily *onesto* Shuisky (their scene together was brilliantly directed by Mr Judge), and there was further strong support from Edmund Barham (Grigory), who made the most of his curtailed role with heroic singing and equally wild-eyed demeanour, and from Andrew Shore as a Varlaam who had plainly taken master-classes in comic timing from Oliver Hardy (and why not?). Sean Rea was a sound but sadly uncharismatic Pimen.

A *Boris* to catch, then, in Leeds, Hull, Nottingham, Manchester, or indeed Dortmund later in the month. It is very good indeed.

Rodney Milnes

A Room of One's Own

HAMPSTEAD THEATRE

Virginia Woolf wrote at least one play, *Freshwater*. It was privately performed in her lifetime at Charleston, and has since been put on in both English and French. Though only a *jeu d'esprit*, written for family and friends, what is interesting is, how witty it is and how well it acts. That *wonderful prose-style*, so well adapted to arias of introspection, could, when she wished, be turned outwards and scaled to keep an audience nodding assent and chuckling with delight in their seats.

So it must have been with the two lectures Virginia Woolf gave in Cambridge in 1928 on Women and Fiction, later published in book form as *A Room of One's Own*. Is there any Girtonian, now in her eighties, who was actually present at either of those lectures? If so, I should very much like to hear from her. When Virginia Woolf delivered her history of the raw deal women had had in achieving education and emancipation in British society, to a small college group in Cambridge, she must have been absolutely riveting.

In the absence of living testimony we have all this week at the Hampstead Theatre a brilliant simulation of what that historic moment of feminism must have been like. Eileen Atkins, solus, memorises a text lasting an hour and a half adapted by Patrick Garland who directs her.

Wisely, no attempt is made to imitate the Bloomsbury voice: but Atkins has powerful resources of her own which she summons resonantly to her task. Some features though she does have in common with her original, a haunting oval face, a long silk scarf worn as a tie, and an expressive tapering pair of hands.

Combined with Atkins' impeccably articulated voice, which ebbs and mounts in crashing waves of eloquence, these hands are skilfully deployed to orchestrate and highlight the argument. Basically it is that without a modicum of economic independence and a room of one's own the literary career is unattainable. A long forefinger jabs at the audience ramming the points home; a savage fantasy about the plight of Shakespeare's putative sister who wished to be a playwright, is concluded with both palms plaintively outstretched; fingers scrabble ironically through the pages of Trevelyan's *History of England* for references to "women, position of": a whole hand traces admiringly the career of Aphra Behn, the first professional woman author.

It is a virtuosic evening and deserves a longer run than the single week allotted to it atHampstead, already completely sold out.

Anthony Curtis

Eileen Atkins Alastair Muir

Coriolanus

YOUNG VIC

The Young Vic is a great arena if used properly. After Ibsen's Dr Stockmann, here comes another potent hero turned enemy of the people, Caius Marcius Coriolanus. But director Jane Howell completely misreads the space. She and her design team, led by Hayden Griffin, close up the action in a football cage, a square grilled prison, and stifle a promising performance by Corin Redgrave in its cradle.

Many of us were waiting for the pleading scene at the gates of Rome between Volumnia and her turncoat son, here played by the real domestic double act of Redgrave and Rachel Kempson (for good dynastic measure, little Harvey Redgrave, Corin's son, played the infant Marcius). It did not even splutter into life. At which point one just gave thanks that Andrew Secombe, Harry's son and a splendid all-purpose citizen, had not talked the management into hiring his Dad to play Aufidius.

On second thoughts, though, "If I ruled the world" is what this play is all about. Redgrave's introspective political puppet, a very far cry from Ian McKellen's rhetorical, fleshbaring thing of war, never has the heart to come clean.

The caged arena is serviced by a quartet of mummified masked extras seated on upturned buckets, part of Howell's interesting plan to refer the piece to the fantasy Edwardian world of Edward Bond. The tribunes (Michael O'Hagan and Peter Sproule) are like a pair of Oxonian Proctors in hard hats, elevated to minor political office and soon out of their depth. But their wheedling transformation is never properly investigated; so much text goes by with not an iota of intelligent application.

The one constant performance is that of John Franklyn-Robbins as Menenius. His slick despatch of the body politick speech sets a tone of ironic subtlety unmatched elsewhere. He wears a white panama hat. As Redgrave loses touch with the people he despises, he affects Napoleonic frock coats and long scarves. What I do not understand is how this Coriolanus could ever expect friendship to be a pass to political asylum. The element missing is any sense of hero worship for Colin McFarlane's dull but athletically efficient Aufidius.

Having hit on the idea of doing the play as an English rustic class tragedy, there is absolutely no attention paid to the details of speaking and inflection. This is one of the trickiest plays in the canon. It shifts all the time, along with personal and party loyalties.

The acting is turned in on itself, or hidden behind pillars, or merely inandible. It is all depressingly like a bad night at the Royal Shakespeare Company.

Michael Coveney

Rachel Kempson and Corin Redgrave

Strasbourg Philharmonic

FESTIVAL HALL

The Strasbourg visitors' concert on Monday was a charity gala – not the kind of audience for whom the *Amériques* (1921) of the unregenerately original Edgar Varèse would fall like balm upon the ear. Nor did the conductor Theodor Guschlbauer attempt to cushion the fierce assault (by daunting instrumental forces, including a siren); but he honed it very well, and seized every opportunity – there aren't many – to mark coherent guidelines through Varèse's deeply anarchical score. The impact was undeniable, though doubtless widely deplored. With the unusual clarity Guschlbauer achieved amid the din one could perceive significant debts to Stravinsky's *Le sacre*, for example, which were somehow reassuring.

The quality of that brave performance was matched earlier in Debussy's *Ibéria*. Guschlbauer developed it along sound, sympathetic lines, but what made it especially rewarding was the scrupulous attention he gave to Debussy's touches of solo and *divisi* instrumental colour. They are legion, but often brushed aside in the interest of broader effects (and thrifty rehearsal-time) – *Ibéria* is the only one of Debussy's three orchestral *Images* that just about permits simple Technicolor treatment. Subtler chiaroscuro is better, nevertheless, for it reveals ambiguous depths with room for teeming half-voices among a festive crowd: intimately musical rather than pictorial.

And beautifully rendered here.

I should still have liked the ridiculous violin serenade in *the last* movement to be gonged off (at both attempts) by a ruder tambourine – Debussy surely intended that cartoon-touch. In Berlioz's early cantata *La Mort de Cléopâtre*, the Strasbourg strings were earnest where Colin Davis and others have proved that a jaggedly nervy attack strikes nearer the bone, but Sarah Walker enacted the dramatic heroine in high style. Before that we heard a properly warm and mysterious *La Péri*, complete with the fanfare-prologue Dukas added later, and innocent of any trace of time-honoured Gallic bleat in the smoothly rounded Strasbourg horns. This is an orchestra of strong, modern character.

David Murray

ARTS GUIDE

May 5-11

EXHIBITIONS

London

The Royal Academy. The Royal Treasures of Sweden 1550-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful spread of riches, beautifully presented, trophies drawn from across the whole of Europe in the time of Sweden's abrubt emergence as a European power. Daily until June 18; sponsored by Gamlestaden.

Paris

Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political context of Europe as a whole. Over a thousand paintings, sculptures, engravings, objets d'art and everyday objects lent by 15 comtries retrace the pre-revolutionary splendour of European courts and the aristocracy as opposed to the laborious life of the peasants. Closed Tue. Late opening night Wed. Ends June 26 (42895410).

The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. What would the Louvre be without Rembrandt's Bethsabee, Goya's Marquise of Solana or without the odalisques in the Turkish Bath by Ingres? Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.

Centre Georges Pompidou. Yves Saint-Laurent. Fashion photographs. Ever since he launched the ideal of a dynamic, modern woman, the great couturier has been helped in his enterprise by top professionals who translated into images the dreams of exoticism and the seduction of cool, distant perfection. Ground floor, Galerie du Forum; closed Tue. Ends May 22 (42771238).

Musée des Arts Decoratifs. The intimate world of Alexander Calder. some 300 works, most of them gifts to family and friends and, as such, exhibited for the first time, show the inventiveness and sense of humour of the sculptor. Ends May 21. Closed Mon and Tue (42603214).

Amsterdam

Stedelijk Museum. The first major retrospective of the work or Kasimir Malevich combines loans from leading Soviet galleries with the museum's own. Ends May 28.

Van Gogh Museum. Prints, drawings and gouaches illuminate the work of Gauguin's followers who banded together under the name Les Nabis. Ends May 28.

Brussels

Palais des Beaux-Arts. Art Deco in Europe. Tues-Sat, closed Mon. Ends May 28.

Musées Royaux d'Art et d'Histoire. Tibet – Terror and Magic, sculptures and paintings of lamaist gods on loan from the Musee Guimet, Paris. Indus: Ancient Civilisation from Pakistan (both closed Monday and end May 14) (733 9610).

Berlin

Fritz Koenig. 35 sculptures worked in iron, 70 script pictures and 80 drawings by the German artist Fritz Koenig. Until May 1. Akademie der Künste, Hanseatenweg 10.

Willi Baumeister (1889-1955). To commemorate the 100th anniversary of the German abstract artist's birth there are 140 works from all periods of his working life to be seen until May 28. Nationalgalerie, Potsdamer-Strasse 50.

Frankfurt

Kunstmesse, Ludwig Erhard-Anlage 1 (Messegelände). Frankfurt's first international art fair from April 21 to 26 will be presented in Helmut Jahn's newly built hall No 1. with 205 seperate galleries on two floors of the impressive building.

Cologne

Bilderstreit. Rheinhallen der Kölner Messe, Messegelände. Deutz. The two organisers Johannes Gachnang and Siegfried Gohr, present "contradictions and contrasts as the essential source for the debate about contemporary art". Ends July 2.

Vienna

Museum for Applied Arts. Austria's rebellious artists of the 1960s have their own exhibition here entitled, Aktionsmalerie-Aktionismus, Wien 1960-1965. Ends May 15.

Secession. Exhibitions by Johann Jascha, an Austrian artist and Cindy Sherman, the American photo artist. Both until May 28.

The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Until November 15.

Rome

Accademia di Spagna. The Mirós of Miró: More than 100 works by Joan Miró, including ceramics, drawings and watercolours and oils. Until June 4.

Venice

Palazzo Grassi. *Italian Art* 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. Ends Nov.

New York

Whitney Museum. The 65th in the long series of Annuals and Biennials features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.

Metropolitan Museum of Art. Goya and the Spirit of Enlightenment explores 160 of the artist's works in relation to his impact on contemporaries and the rationalist modernisation of Spain. Ends July 16.

Tokyo

Riccar Museum. 120 years of Japanese Landscape. Ranging from traditional woodblock prints to oils, this small but representative exhibition traces the changing feelings towards landscape in Japan in the modern era.

Philharmonia

FESTIVAL HALL

The horn player Alan Civil, whose exemplary musicianship distinguished several of the London orchestras, died in March this year. His period as Principal Horn with the Philharmonia dated from 1957, when he took up the position following the death of Dennis Brain, to 1966, and it was that orchestra that dedicated part of its concert on Tuesday to his memory.

Not one horn soloist, but four joined in a performance of Schumann's *Konzertstück*, Op.86. This is one of the composer's most delightful works with orchestra, but the unusual combination of instruments has brought it less frequent hearings than it deserves. A passage like the opening of the Romance is typical of Schumann at his most far-sighted, its harmony stretching over long paragraphs that reach out towards Wagner.

It is also an effervescent piece, full of chattering woodwind interjections, and ending in a brilliant finale. A composer who is so often chided for creating an unwieldy orchestral sound here uses his four solo horns with a lightness worthy of Mendelssohn and the four Philharmonia soloists – Richard Watkins, Peter Blake, Simon Rayner and Robert Maskell – had no trouble keeping the music *sprightly on its toes*.

Indeed, the programme as a whole was one of Romanticism in its lightest vein. Gennady Rozhdestvensky led the orchestra in neatly-pointed accounts of Weber's Overture *Preciosa* and the symphonic poem *Polednice* (The Noon Witch) by Dvorák, where he elicited a marvellous touch of fantasy from the strings in their quietest playing.

After the interval the main work was by Mendelssohn himself, a genial performance of the Italian Symphony. There were a few individual ideas at work here (I liked the mysterious, lightly dancing tread with which the taranteila crept into action in the finale) but in general this was unexaggerated music-making, a little short on the whirlwind high spirits that sweep the symphony along. Some untidinesses in detail apart, the Philharmonia provided attentive support.

Richard Fairman

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Bonn and the Daimler deal

THERE ARE interesting parallels between the sale of the Rover car company to British Aerospace last year and the proposed takeover by Daimler-Benz of Messerschmitt-Bölkow-Blohm, the West German aerospace group. In both cases a private sector solution has been sought for a public sector-owned concern which over the years has cost the taxpayer large sums in subsidies. In both cases governments have been reluctant to look for anything other than a purely national solution, even though partnership with a foreign company might make better industrial sense.

The Government in Bonn is trying, in particular, to find a more efficient framework for the Federal Republic's participation in the European Airbus airliner project. It is welcome and overdue that Bonn is seeking to improve the fragmented structure of European aerospace co-operation. It is by no means clear, however, that a Daimler-MBB link offers the best solution.

The proposed takeover would produce one of the world's largest and most diversified high-technology groups, with turnover of around DM 80bn. One principal anxiety stems from fears of concentration in the German defence sector – an area which would make up around 10 per cent of the planned new company's sales. The Federal Cartel Office last month turned down the acquisition on the grounds that it would give Daimler a market-dominating position in areas ranging from military aircraft and helicopters, missiles and aero-engines to defence electronics and space technology. But a large portion of state research spending in civilian areas like trucks would also be concentrated on the group.

Daimler irritation

Daimler-Benz and MBB are hoping that Mr Helmut Haussmann, the Economics Minister, will overrule the Cartel Office. Mr Edzard Reuter, the Daimler chairman, increasingly irritated over Bonn's wavering, pointed out this week that it was the Government that suggested the Daimler-MBB transaction in the first place.

The second worry comes from the industrial justification behind the deal. Daimler-Benz's decision to move into the aerospace and electronics fields could cause damage to its core business of cars and trucks. Diversification on this scale is uncharacteristic of German industry, where specialisation has been long seen as a main source of strength. The experience of conglomerates in the US and elsewhere is not encouraging. Daimler is already facing difficulties in integrating Dornier, AEG and aero-engine maker MTU, all of which were acquired in 1985. MBB is itself a product of a large number of separate aircraft and technology concerns merged over the years, and has been plagued by management problems. Its digestion will present Mr Reuter with severe corporate challenges over many years.

Close relationships

The third concern stems from the closely interlocking relationships between German banks and industry. Daimler-Benz, 28 per cent owned by Deutsche Bank, has shareholders which allow management to concentrate on long-term strategy without being diverted by short-term profit considerations. While this can be beneficial, the question must be asked whether the concentration of economic and industrial power represented by the Deutsche Bank-Daimler combination is in West Germany's – or the European Community's – best interests.

In view of the legitimate doubts over the long-term effects of a Daimler takeover, it is still not too late to seek an alternative solution for Messerschmitt's future. The preferred outcome would both avoid excessive concentration in the German defence industry and point the way towards a more rational structure for the European civil aircraft industry. This could involve links with other European companies such as British Aerospace. The formation of a very large national champion in West Germany is not the best way of creating the strong, integrated, European-wide corporations that are needed to meet US competition in aerospace.

Pressure on Panama

FORMER US President Jimmy Carter, always noted for his willingness to believe the best about other people, thinks General Manuel Antonio Noriega genuinely believed his tame candidate, Mr Carlos Duque, would be elected President of Panama in a fair fight, and only decided to try to "steal" the election when he saw that Mr Duque was losing. Some support for that thesis comes from the fact that Gen Noriega made no public appearance for two days after the vote, suggesting that he was taken by surprise.

That would be a relatively encouraging state of affairs, for by far the best outcome of the crisis would be for Gen Noriega to step down voluntarily, accepting the election for what it clearly was: a massive vote of no confidence in him. There should be pressure on him to do that from within the armed forces as well as from the opposition and the church, which played a very important role in monitoring the vote and exposing the attempted fraud. There is pressure in the same direction from Panama's neighbours, Colombia and Costa Rica, and also from the other members of the Group of Eight, an association of Latin American democracies which Gen Noriega unwisely allowed Panama to join. (It was suspended early last year and now faces probable expulsion.)

Bush's plea

President George Bush has called on foreign governments generally to urge Gen Noriega to respect the election results. European governments as well as those closer at hand should respond to that call. The more isolated his regime is made to feel, the better the chance that Gen Noriega will be obliged to go quietly and soon.

It is probably with a view to stepping up such psychological pressure that Mr Bush has allowed US spokesmen to mention the use of military force among sanctions being considered. If military action were really contemplated, it would presumably be justified as an implementation of the popular vote. But the US Government lacks any legal authority to interpret the popular vote in that way, especially as the opposition candidate for whom the votes were cast, Mr Guillermo Endara, has said clearly that he opposes US military intervention and believes it would cause more problems than it solved.

That is surely true. The precedent of Grenada is a dubious one, since no plausible legal justification was ever produced for that intervention, and politically the circumstances in Panama are much less favourable. By intervening militarily the US would lose the moral and political advantages it now enjoys. A favourable reaction in Panama could by no means be guaranteed and Mr Bush would replace Gen Noriega in the dock of regional and international opinion.

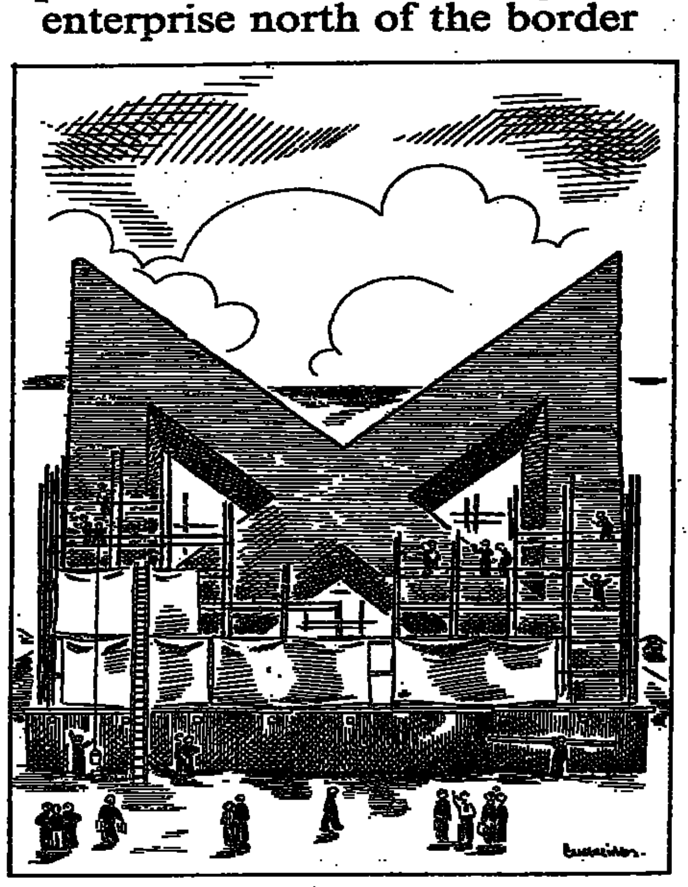
Treaty abrogation

An even more crass reaction would be to abrogate the Panama Canal Treaty, as proposed by some right-wingers in Congress. This would vindicate Gen Noriega's claims about the US's true motives without even removing him from power. In fact it is probably the one move that could ensure him some genuine popular support.

Further economic sanctions are also said to be under consideration in Washington, but it is hard to see what could be meaningfully added to those already in place, which have plunged the Panamanian people into misery without having any visible effect on Gen Noriega or the armed forces. Moreover, whatever damage is done to the Panamanian economy will eventually have to be repaired, no doubt largely at the US taxpayer's expense.

Political and diplomatic pressure seems the best hope. If this does not work by itself, the US may have no choice but to consider supplementing the stick with a carrot, presumably in the form of some kind of immunity for Gen Noriega himself and a pledge from the Panamanian opposition not to take punitive measures against the armed forces so long as, in future, they are loyal to a genuinely elected government. Allowing the General to escape trial for his drug-running activities would obviously be difficult for US domestic opinion to accept and may be legally impossible. But having him continue as effective ruler of his country is no solution either.

James Buxton looks at Tory plans to revitalise training and enterprise north of the border



Thatcher boost for Scotland

MRS Margaret Thatcher's Government believes that a project called Scottish Enterprise is one of the most politically fruitful policies it has yet devised for its discontented subjects north of the border, if the likely tone of today's debate at the Scottish Conservative Party conference is anything to go by.

It is a plan to merge the Scottish Development Agency (SDA), which promotes industrial and commercial development, with the Scottish operations of the Training Agency (once the Manpower Services Commission) to combine enterprise development in Scotland with the training of the labour force. For months it has been the big talking point for Scotland's élite: no fewer than 420 organisations, local authorities, chambers of commerce and individuals have deluged the Scottish Office with their views on it.

Scottish Enterprise would not be a monolithic quango: instead it would operate through local agencies directed by unpaid boards on which businessmen would predominate.

Virtually everyone, including the Labour Party, welcomes parts of the scheme, especially the idea of Scotland getting some control over the Training Agency. But many people question how Scottish Enterprise will work in practice and whether it is the best solution for complex economic problems. Moreover, much as the Government denies it, many fear that Scottish Enterprise could mean the emasculation of the SDA.

"The Government risks destroying something that was very effective," says one close follower of the subject. "Instead of, as it expects, gaining from what is in reality a political initiative, it could reap the whirlwind."

The local agencies of which there would be 16 outside the Highlands and Islands, would be the key bodies. Rival consortia would bid for a three-year contract to set up and run an agency under the eye of the new parent body, Scottish Enterprise.

Initially the agencies would deal only with industrial training – crucial for matching workers to jobs at a time when the labour force will be static as a result of demographic changes. Later they could take over some of the functions now performed by the SDA, such as property development, environmental improvement, and venture capital investment and loans. This would make them more powerful than the somewhat similar Training and Enterprise Councils (TECs) that Mr Norman Fowler, the Employment Secretary, plans for England and Wales.

The white paper says: "The concept stands or falls on the willingness of people of calibre to respond to this exciting challenge," but adds disarmingly: "Efforts to date to persuade the private sector to take greater interest in and responsibility for training have had disappointing results." However, it concludes from this that the private sector "can best be brought to centre stage by giving real responsibility to a strong, employer-based body – putting employers into the driving seat."

But are Scottish employers, with their shaky record on training and often questionable success as entrepreneurs, the right people to run the local agencies? Such agencies would eventually take responsibility for large sums of public money – the combined SDA and Training Agency budget amounts to about £500m. Will able businessmen be prepared to devote up to a day a week to their local agency without financial reward?

Mr Bill Hughes, chairman of the CBI in Scotland, who originally launched the idea of Scottish Enterprise (to have it enthusiastically taken up by Mrs Thatcher within weeks), insists that businessmen must lead the training operation because they "are in the market place and know what it needs."

Mr Ross Clark, who runs a thriving enterprise agency in Hamilton, Lanarkshire, says the fact that his agency is directed by private sector executives – despite getting three quarters of its funds from the public sector – is essential to "making what we do palatable to the companies we deal with. They've had it up to here with public sector agencies."

Yet the white paper foresees the new agencies raising a gradually higher proportion of funds for training from the private sector, so that "employers bear an increasing share of the costs."

Mr David Campbell, president of Glasgow chamber of commerce, says this "vague programme to withdraw state funding over an indefinite time period is a recipe for chaos." The usually respectful CBI says it doubts whether local agencies can be formed without "a clear commitment of continued funding by central government."

After a talk from a civil servant in Glasgow on Scottish Enterprise, members of the Institute of Directors complained that the scheme was "nebulous" on practicalities and there was scepticism over whether businessmen would want to get involved.

But employers in several parts of Scotland, are already taking up the challenge: in Fife, in Central Region and Lanarkshire, major employers, enterprise agencies, a university and regional councils are proposing to set up "pathfinder agencies" to prove the scheme. Enterprise agencies, part of the Business in the Community movement, are eager to take a big role in Scottish Enterprise.

Doubters fear that even if the scheme can be made to work, the sprouting of new agencies, rivalling each other and often cutting across local authority and enterprise agency boundaries, could lead to a "Balkanisation" of effort.

No one has faced up to these dangers more boldly than the SDA itself. It proposes that instead of waiting for local agencies to spring spontaneously to life from the bottom upwards, with much of the process having to wait a year or two for legislation, the Government should conjure it into life from the top downwards.

It suggests that what it calls area development companies should be set up as soon as possible, under private sector-led boards whose paid chairmen would be nominated by the Scottish Secretary. It thinks there should be just nine of them (instead of 16), based on and staffed from the eight regional offices which the SDA only recently set up.

Instead of progressing slowly from training to enterprise development, the area development companies would immediately assume four fifths of the functions currently handled by the SDA and take on the work of the Training Agency (and its staff) as well. They would co-ordinate the plethora of enterprise agencies, development companies, and local authority efforts.

To some, the SDA's radical proposal looks like an astute exercise in self-preservation: currently the agency is not only losing top staff because of low morale and uncertainty over Scottish Enterprise, but there are fears that Scottish Enterprise is a cover for obliterating it altogether. To the Conservatives' continual annoyance, this Labour-created body is seen locally as being responsible for most of the recent successes of government economic policy in Scotland, leaving the Tories to take the blame for the failures

As a notable concession to the Government, the SDA even accepts giving up its name and being renamed Scottish Enterprise – something which many of those commenting on the white paper say would be squandering an expensively promoted brand name. The SDA's critics, who include Mr Hughes, believe the SDA has an exaggerated idea of its effectiveness in helping Scottish business.

But they do not deny that it has a core of high calibre staff, good at spotting the potential of unprepossessing looking parts of urban and industrial Scotland and getting the private sector and local authorities to co-operate in exploiting them.

Mr Hughes has said that the only part of the SDA's alternative that he does not accept is its "top-down" approach. The local bodies must grow spontaneously, he says.

The Scottish Office is now pondering this welter of conflicting advice, trying to preserve a tenuous consensus while wishing at the same time to be seen to introduce a Thatcherite solution to Scotland's problems.

But while debate rages on structures, hardly anyone seems to ask what kinds of goods and services the Scottish economy should actually produce in the 1990s, and what sort of people need to be trained to produce them.

BOOK REVIEW

The wealthy but ill-advised Sultan

THE RICHEST MAN IN THE WORLD
The Sultan of Brunei
By James Bartholomew
Viking, £12.95

BY GOD'S WILL
A Portrait of the Sultan of Brunei
By Lord Chalfont
Weidenfeld & Nicolson, £14.95

The publishing industry spawned by the 1985 takeover battle for the House of Fraser in which the Al-Fayed Alexandrian trio triumphed over the tenacious Mr Tiny Rowland of Lonrho, shows no sign of a decline in investment or in output. On the contrary, the longer it runs the greater the number of people who become involved, the wider the issues, and the fuller the bookshelves become.

One of the central figures in the drama, albeit with a largely non-speaking role, is Sultan Hassanal Bolkiah of Brunei. Mr Rowland has alleged that it was the Sultan's money which was used by the Al-Fayeds to buy Harrods, an allegation vigorously denied by both parties. But claims of such import stimulate protagonists and it is probably no coincidence that recent publications include two books devoted to the ruler of Brunei, but about two different men.

The more widely read book will be that assembled by James Bartholomew, a journalist who has worked for the Financial Times and more recently for the Far Eastern Economic Review. Mr Bartholomew's style identifies him as a member of the "shock, horror" school of authors and he follows the lead of Fortune Magazine and the Guinness Book of Records by titling his volume The Richest Man in the World.

A flavour of what is to come is provided by the opening sentence: "The Sultan does not want this book to appear." Veiled warnings from lawyers, frightened informants and an admission that it is very difficult to acquire reliable information about the Sultan's activities follow quickly.

Yet despite the difficulties, Mr Bartholomew claims that his research has been exhaustive and that his facts are uniformly accurate, although not, presumably, his early assertion that Brunei can produce 165m barrels of oil a day.

Lord Chalfont does not claim much credit for researching his pretentiously titled By God's Will. And he quickly concedes that, as a non-executive director of the company which has the lucrative public relations account for Brunei, it would not be surprising if some people were to dismiss his book as an extension of that contract.

An admiring Lord Chalfont sees the Sultan, one of the world's last absolute monarchs, as a serious political figure, beloved by his people, who somehow has fallen victim to a hostile foreign press and to the "culture gap" which prevents people in the West from comprehending a Malay Moslem civilisation. Mr Bartholomew presents him as a not very bright, self-indulgent, often rather absurd young man who controversially took a second wife, quarrelled bitterly with his father, elevated conspicuous consumption to new heights, and ended up being really rather miserable.

If the two authors edge closer on anything it is on the lack of wisdom demonstrated by the Sultan in his selection of business partners. The Sultan's catalogue of financial accidents ranges from the collapse of the National Bank of Brunei to a $10m contribution to the Contras in Nicaragua which farcically ended up in the wrong Swiss bank account. As the Sultan said in an interview with this newspaper last August: "With hindsight I realise now that it would be better for me to negotiate any future business interests through established professional advisers who can give independent advice."

That may seem an astonishing admission for a man of such considerable personal wealth who is also the ultimate authority for the management of his country's enormous financial reserves, believed to be in excess of $25bn. It is also a sobering statement for some of the 230,000 people of Brunei who, despite enjoying the present material benefits of the oil and gas price explosion of the 1970s, are right to be concerned about the vulnerability of a single-resource economy. Others are worried about the extent to which Islamic radicals are allowed to influence decisions, about the plight of members of the ethnic Chinese community who are denied citizenship, and, as more young people enjoy higher levels of education, about the willingness of the Sultan to divest some of his enormous power.

But who is going to tell the Sultan? Certainly not Lord Chalfont, while Mr Bartholomew's strident book will assuredly not see the shores of Brunei. A more interesting and informative study would centre on those who advise the Sultan. When I "interviewed" the Sultan last August, many of his answers were read from a prepared text. Asked a question not on the previously submitted list, the Sultan looked up, smiled and said: "What number is that?"

Roger Matthews

Getting away with murder

■ There's a nasty rumour abroad in Meejaland that this distinguished organ watches its own cabbage patch, the City of London, with less than optimal vigilance. This calumny is even going to be discussed next week, by our own hacks no less, on the newfangled technology of Gradevision (audience 3.3, including mothers). A pre-emptive strike in the shape of fearless investigative journalism is clearly in order.

Thus, did you know that though the City is wallowing in a bloodbath there has been little effect on top people's salaries? The latest 1988 annual reports reveal all.

John Craven, the new chief at Morgan Grenfell got £422,973 last year, a lot more than the £246,639 paid to the highest director the year before. George Malinckrodt, chairman of Schroders, took home £398,000, up exactly £100,000. Sir John Baring (Of That Ilk) also earned £398,000, up from £305,000.

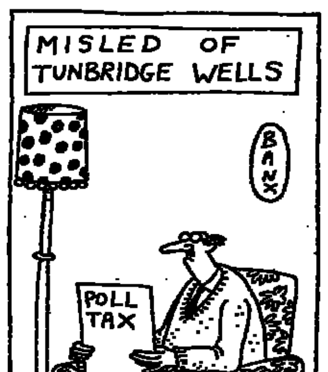
Jonathan Agnew, new boss at Kleinwort Benson, was paid a more modest £276,611 (and also has to make his own pension arrangements), though this was smartly up on his predecessor's £198,000. At Hambros, comparably austere, the top paid director got £289,000, up from £188,000.

These salaries all pale against Sir John Nott at Lazards who got over £810,000 in 1987 and whose 1988 takings have yet to be unveiled. But at least his firm made lots of money, which is more than can be said for Morgan or Kleinwort last year.

The explanations are, naturally, rich in the City's own special brand of logic. Morgan says that Mr Craven's salary, set by a committee of non-executive directors, three of whom are "eminent industrialists", was "adjudged on the basis that he had joined the bank at a particularly difficult time to do a recovery job, and he is getting on with it." Kleinwort agrees that earnings are large compared to some parts of industry, but "are not out of line with the competition in the City."

Still awaited is news from Warburg. Last year its directors took a much-publicised cut in salary, though whether they can restrain themselves two years in a row must be doubted.

OBSERVER



La Loi

■ What with iron masks and Devil's Island, the French used to know how to deal with such excesses. But after 180 years, the Code Napoleon is being revised, no doubt long overdue, but apparently not along lines that necessarily meet the most urgent needs of the French penal system.

Pierre Arpaillange, the Justice Minister, is a lawyer and magistrate by career; and when he was appointed last year, he decided that the top priority was to update the penal procedure, starting with a revision of the system under which criminal investigations are conducted by a special magistrate. His view was evidently shared by at least one judge quoted in Le Monde. "This new penal code is just a flashy trinket. What we need. . . is a tool – procedure – and money. All the rest is just a gimmick."

President Mitterrand obviously prefers gimmicks to Mr Arpaillange. He surprised everyone with his New Year message, which called for the early activation of the revised penal code rather than procedures. And so it is coming to pass. Margaret Thatcher is not the only one who likes to take the law into her own hands.

Ryrie innocent

■ The demise of the rules which put strict limits on private sector money for public infrastructure projects, such as roads, is not regretted in any way by the original author, Sir William Ryrie, now in Washington running the World Bank's International Finance Corporation affiliate.

The rules were the best that Ryrie could do at the time, he recalls. They were devised by a Neddy working party which he chaired at a period, in 1981, when there was a lot of talk about the possibility of involving private money in the public sector. He felt then that they reflected too much the theology of the Treasury and views of Conservative ministers of the time, when all were ruled by fiscal and monetary orthodoxy.

Even now he remembers, with frustration, the rigidity of the application of the PSBR which meant that everything in the public sector was managed by the needs of fiscal policy. So to the extent that the Ryrie rules have become more liberal, "I can only cheer."

Guilty plea

■ As temporary stewardship of these inches draws to a close, it is necessary to confess to the grave charge of innacuracy in the first degree. The only mitigating circumstances are a wilful and habitual disregard for the facts and an inability to master the intricate technology involved in producing this screed.

The first particular charge is that last week the slogan of a restaurant in Abbeville, Louisiana, was misrepresented. That is true, but this is a family newspaper.

The second, from a reader, alleges ignorance of soccer, on the grounds that Liverpool, not Notts Forest, would be playing in the European Cup if English sides were allowed to compete. Guilty again, but the jury should take into account that soccer, of which to be ignorant is now bliss, except in Yemen, ceased to be interesting when R. Charlton and Edson Arantes do Nascimento retired.

The third is to admit that the ancient economy of Yemen was based not on frankincense and myrrh but on coffee, the output of which it monopolised until the end of the 17th century.

Finally, it seems that old jokes are being recycled. Just as some stories are too good to check, some old ones are too good not to retell. There is this one about an Englishman, an Irishman and a Scotsman...

The Clink

■ This famous old prison is reopening its doors near the new FT, not for incumbents, sadly, but for visitors. It used to house "untold numbers of debtors, prostitutes, heretics and common criminals," the exhibitors write. Pensioners and children can get in cheap. Maybe cut rates should be made available for City folk.

Jurek Martin

ECONOMIC VIEWPOINT

A realistic target for price stability

By Samuel Brittan

Perhaps the kindest explanation of the Prime Minister's failure to give the Chancellor support over taking mortgage interest rates out of the inflation index is that she hopes to benefit from a distortion the other way round by the time of the next election. For just as the mortgage interest rate distortions can boost the apparent inflation rate, they can bring it down. (The distortions have been avoided in the chart by plotting the consumer expenditure deflator).

The mortgage interest distortions come on top of upward and downward blips in the underlying rate itself. So it is quite possible that the Government will go into the next election with a published year-on-year Retail Prices Index increase of 3 per cent or even 2½ per cent, while anyone following what is really going on will know that the true long-term path is 5 or 6 per cent.

Apart from playing such games, has the Government any real interest in trying to reduce the inflation trend further by the next election? The truth lies somewhere between the Government's affirmation of its commitment to zero inflation and the more cynical outside belief that it will be glad to stabilise it around 5 per cent. How seriously the Government will try to reduce inflation will depend on the cost of so doing. Zero inflation at all costs is not an election-winning formula.

Somewhere in between the impossible dream of literally zero inflation and the current cynicism, there exists a more realistic alternative. That is zero inflation in the prices of internationally traded products. It provides a feasible objective, much better than is being achieved at present.

An objective for traded goods prices has, moreover, good historical precedent. Japan in its growth heyday in the 1950s and 1960s achieved zero inflation or even falling prices in its highly competitive international trading sector. But because of the drag from the more sluggish domestically oriented sector – shops, small workshops, agriculture and so on – Japan experienced creeping inflation in its overall price indices.

The Scandinavian countries in the Bretton Woods period up to 1971 avoided devaluation by remaining internationally competitive. The need to do so determined the rate of pay increases which could be afforded in the exposed sector, which in turn penetrated through to the rest of the economy. The link with the outside world was a far more effective weapon of wage restraint than the much vaunted centralised pay bargaining; and the same applies to Austria in more recent years which has linked its currency to the D-Mark.

A policy of zero inflation for traded products alone has certain obvious consequences for exchange rates. It normally means a relatively stable exchange rate against currencies which succeed in a similar objective. It would not, for instance, be compatible with the 30 per cent fall which sterling experienced against the D-Mark in the five years before the Chancellor inaugurated his short-lived DM policy – an earlier history quite forgotten by those who delight in bad-mouthing the episode.

The arithmetic of the suggested price target is not too difficult so long as one avoids a doctrinal dispute on whether wages cause inflation. Rapidly rising wages are an aspect of inflation – which will not be reduced unless wage rises come down at the end of the day.

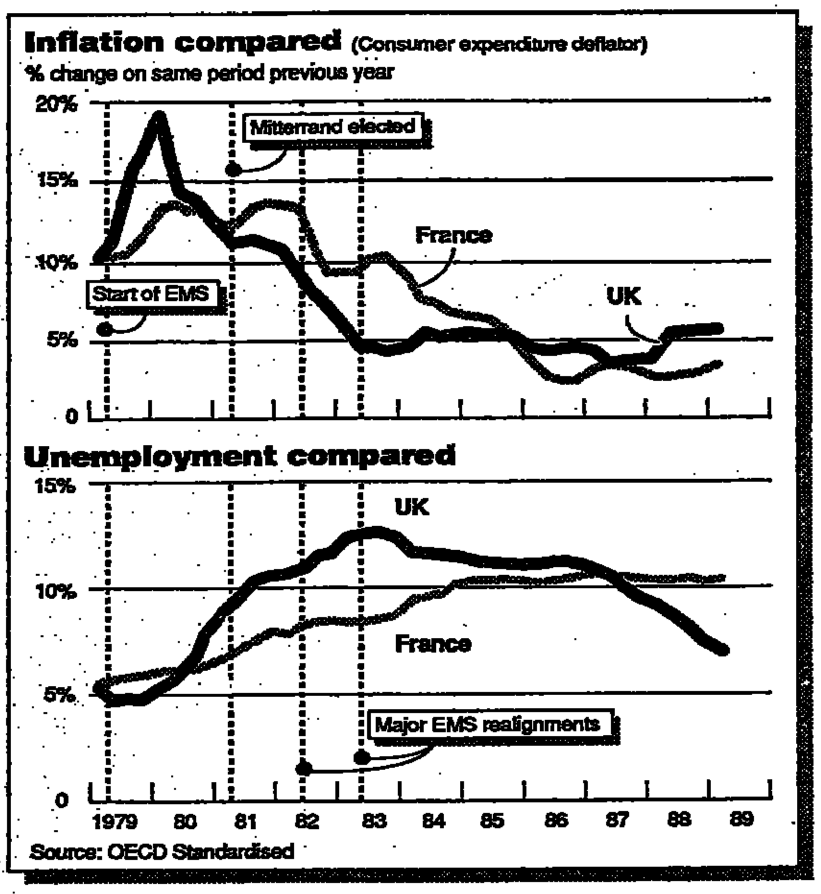
In the Budget Red Book, the Treasury estimated the long-run trend of labour productivity in manufacturing at just over 5 per cent per annum. This is not identical with the internationally traded sector, but is reasonably close. If the long term price trend in this sector is to be zero, then pay per head will also not be able to rise by more than around 5 per cent.

For the whole economy the Treasury estimates a much lower productivity trend of 2½ per cent per annum. Thus if pay per head in the whole economy also rises by 5 per cent, the average inflation rate will fluctuate at around 2½ per cent.

If the official figures understate true productivity gains, then the inflation targets might be achievable with 6 per cent pay increases. On the other hand it is very easy to imagine a whole series of add-ons to prices to cover items such as anti-pollution devices and environmental improvements which would tend to push the inflation rate up from 2½ per cent. So all in all pay increases of 5 to 6 per cent are about the highest consistent with the objective.

An inflation rate of 2 or 3 per cent has the advantage over one of literally zero that it allows relative changes in the prices of different products without the need for falling prices – so-called deflation – in wide sectors of the economy. But no one needs to plead with an Iron Maiden to tolerate 2 or 3 per cent inflation instead of zero. For she will be extremely lucky to get from the present underlying 5 or 6 per cent to anything remotely as low, except fleetingly as explained at the beginning of this article.

Since the Thatcher government came to office there has just been one change of gear in pay increases. They fell from the staggeringly high rate of 20 per cent reached in 1980 to the 7½ per cent to 9 per cent tunnel in which they have been stuck for most of the succeeding years.



There are numerous forces at work which could push pay rises even higher. Although union leaders may cite so-called 8 per cent inflation, the impetus is coming from a very tight labour market, that is from the demand side. It cannot be a coincidence that after nearly a decade pay claims and industrial action are now occuring throughout the whole public sector from bus and rail workers to power workers and broadcasters. This comes after a period of very rapidly falling unemployment. Nevertheless, unemployment is still not far below 2 million or 6½ per cent (we shall know the latest details today). It is sad that this level could be below the NAIRU, the unemployment rate consistent with non-accelerating inflation. That would mean the actual unemployment rate would have to move back upwards.

I hope no one will say that I am arguing against relative pay shifts in favour of skills or areas where workers are in short supply. But a labour market where relative shifts take the form of additions over and above the going increase of 9 per cent is in a highly stretched condition.

One has, of course, to allow for the normal lags before cooling off in the goods market affects the labour market. Even so there is no assurance that the present level of output and activity is compatible with stable inflation at around 5 per cent, let alone a lower rate.

How could one go further and change gear so that pay increases actually dropped to 5 or 6 per cent? Except for short-lived pay pauses which boomeranged afterwards, I know of no recent British occasion when this has occurred without a recession and rising unemployment. We might avoid anything as bad as 1980-81 when two million jobs were lost in manufacturing, but on conventional policies a mini-repetition of that episode seems unavoidable.

The one ray of hope would be to take drastic action to affect labour market expectations. The obvious method is to use the exchange rate mechanism of the European Monetary System, not as a fetish but as a way of convincing employers and employees that the pound will not be allowed to depreciate in the longer term against hard currency countries such as Germany. (In the remote chance of Germany going soft on inflation, sterling would be able to realign upwards by modest amounts).

I would be much less confident in making the suggestion if France had not already taken this route, following President Mitterrand's U turn in 1983. In the words of the last OECD Survey on France, "The desire to keep the franc in the EMS, where parity adjustments have been minimised, helped to increase the effectiveness of anti-inflationary policy by reducing inflationary expectations and limiting imported inflation."

No one will argue that the French experience has been free of problems. But it is striking that after a much slower and later start in reducing inflation, France has gone down to well below the British rate and has done so without the unemployment explosion which Britain experienced in the early 1980s.

Despite misleading talk of an overvalued franc, French labour costs have been rising more slowly than German ones since 1986 even when measured in national currencies. The current payments deficit projected up to 1990 is some half a per cent of GDP – one which the US or Britain might envy. French unemployment – although never nearly as high as the British at its peak – is still too large. The main influences are summarised in some of the OECD sub-headings as "inadequate and ill-adapted production capacity," the "relative ineffectiveness of industrial policies," as well as the resistance of wage structures to market pressures, as in some other European countries.

There is admittedly something amiss with attitudes, institutions and expectations if a country needs an external crutch in the form of a currency link to lower its inflation rate at non-prohibitive cost. But many nations – from France to Israel, neither lacking in national pride – have accepted that this is the case and taken advantage of the available exchange rate mechanisms.

Of course if I had to predict what would happen it is that Britain will not join the EMS for the next few years, that inflation will fluctuate at 5 or 6 per cent, that attempts to keep it even as low as that will be painful in terms of lost output and employment and that an attempt will be made to blame everyone for this outcome except those really responsible.

LOMBARD

Time to speak out on trade

By Peter Montagnon

To Mr Frank Wolter,
General Agreement on Tariffs and Trade,
Geneva.

Dear Mr Wolter,

First of all, congratulations on your appointment as head of the new trade policies review division of the General Agreement on Tariffs and Trade. It is, of course, good to see that Gatt has chosen one of its own economists for this important job. For the rest of us, it is also reassuring that the task should have fallen to someone with the reputation for liberal and independent thinking which you acquired during your earlier period at the Kiel Institute for World Economics.

The main purpose of writing this open letter is, however, to urge you to be tough in your new task, which is to scrutinise the trade policies of individual countries. Gatt has never done this before. A lot rides on the result, both for the institution itself and for the broader health of the trading system.

Your counterparts in the World Bank sometimes boast that they have done more than the Gatt ever has to liberalise trade in developing countries. And they are right. Almost all World Bank economic adjustment programmes have trade liberalisation as a central plank, but then the World Bank has the means of enforcing this approach because it brings offers of much-needed cash.

Neither the World Bank nor even the International Monetary Fund has ever succeeded in applying the same discipline to industrial countries which do not borrow. Yet protectionism in these countries costs the developing world almost twice what it receives in aid.

Gatt's new country monitoring scheme offers a chance to redress this balance. It will not work by financial carrot but through peer pressure. Your reports will both be published and discussed in Gatt's Council, whose deliberations, though formally private, usually leak into the public domain. As long as you are fearless, you will be able to expose malpractices in trade policy which are legion in the industrial world, and thereby shame their perpetrators into calling a halt.

Do not imagine that this will be an easy goal. Whispered voices here and there already say that the US, which is to be the object of your first report at the end of the year, is determined to be treated with kid gloves.

Your task must be to ensure that this does not happen. It would be easy to gloss over last year's US Trade Act which prima facie is not in contravention of the Gatt. Similarly, when you later come to examine the European Community, you could just shrug your shoulders on the view that its anti-dumping policy – which mercifully seems to have lost much of its sting recently – does not actually break the rules.

You have to make a judgment about whether the economic as well as trade policy behaviour of countries you examine is compatible with a healthy multilateral trading system and denounce it ruthlessly when it is not. If you succeed, you will get little thanks (except perhaps from writers on newspapers such as this), but the world at large will still be in your debt.

Gatt has always shied away from controversy because its primary role is the impartial one of adjudicating disputes among its members. That is one reason why it has also always been a weak institution. Now, as part of the Uruguay Round of trade liberalisation talks, it has a tougher, more rigid and more automatic dispute settlement procedure.

With this in place it can afford to enhance its clout by being more outspoken about policies of which it disapproves. But if you funk this chance, things will be even worse than before. Governments will know they have nothing to fear from Gatt, and the purported champion of the multilateral trading system will have little left to dispense apart from hollow disillusion.

Yours etc.

LETTERS

Old generators could carry the load

From Mr John Lyons

Sir, It is difficult to understand how Mr Michael Spicer arrives at his view (Letters, May 3) that when electricity supply is privatised existing generators "will not be able to charge more than the prices offered by new entrants."

It is now clearly established that new entrants will understandably demand, and will get, "take or pay" contracts; that the price of electricity will depend on payments to generators determined by contracts with the distribution companies lasting for several years; and that the existing generators will be required to supply the bulk of the country's generation for at least the next decade, if not longer.

Indeed, it will always be the case that "existing generators" – that is, those with three-year, five-year, 10-year or even 15-year contracts – will be the only ones able to supply the bulk of the generation required at any given time. That will be as true 25 years after privatisation as it is now. The idea that new generators coming in at the margin will lead to the contractual price of existing generation being automatically reduced is, with every respect to Mr Spicer, not credible.

John Lyons,
Engineers' and Managers' Association,
Station House,
Fox Lane North,
Chertsey, Surrey

From Mr R.A. Brown

Sir, It is unfortunate that the Department of Energy (Letters, May 3) should perpetuate the myth of a "competitive market in generation" while proposing a framework of contracts which encourages a shortage of generating plant and jeopardises the security of generation supplies, a statutory obligation presently discharged by the Central Electricity Generating Board (CEGB).

Competition implies an over-supply so that some, at least, of the product on offer can be rejected. The short term (three to five years) of the contracts favoured by Mr Parkinson and his colleagues positively militates against this.

Indeed, Mr Kreamer (Letters, April 25) appears correct in his assertion that long-term contracts (of at least 10 years) will be needed to induce new private generators to enter Mr Spicer's competitive market. Such contracts are essential for ensuring that initial construction costs can be recovered, which is a prerequisite for securing investment funding.

A consequence of this conflict between the perceived interests of the Department of Energy and the funding institutions/investor will be a lack of enthusiasm for installing (or retaining in service) generating plant that will be required to run for no more that a few tens of hours in a few winters of more extreme severity. In the absence of any element of cross-subsidy and with the predominant influence of the profit motive, no unit sales means no profitability and no project funding.

The true base load of the CEGB system represents no more than 30 per cent of annual peak demand and about half this is likely to be met from nuclear generation. The types of generating plant envisaged in the 20 examples of new independent producers which Mr Spicer would have us believe are only waiting for the starter's pistol, are just those types of plant which, even if they are fortunate enough to start life on base load (round the clock) operation, are liable to rapidly migrate, with newer and more cost-effective technology, to two-shift and single-shift (peaking) operation before taking on a reserve role prior to retirement. This is a fact of life in the "generating game" which, together with the risk aversion of the lending institutions and the aversion of the Secretary of State for Energy to long-term contracts, causes me to side with Mr Kreamer in his assessment that Mr Spicer's expectation that these 20 projects will come to fruition will prove to be a triumph of hope over reason.

R.A. Brown
11 Stanhope Gardens, N4

Less is best

From Sir Anthony Touche

Sir, There are plausible arguments against pre-emptive rights. Raising more often a lesser amount of equity avoids the damage to the share price caused by an infrequent rights issue which, to justify its trouble, needs to raise a significant amount of cash compared with the value of the outstanding equity.

Furthermore, institutions not only get underwriting but can add to their holdings at a time when the share price is depressed by the rights issue. The private shareholder might not be able to take up his rights, thus effectively selling part of his holding at the depressed price.

Perhaps pre-emptive rights benefit institutional shareholders at the expense of the private shareholder and prevent issues that are little, yet easily digestible.

A.G. Touche,
Touche Remnant
Mermaid House,
2 Puddle Dock, EC4

Managers must lead the way

From Ms Catherine Griffiths.

Sir, Your article ("Civil Service managers' 'need for better information systems'", May 2) raises the question of whether better information systems will necessarily guarantee effective managers. In theory they should, but it is the calibre of the managers that will always determine the effectiveness of any information system and not the other way around.

It has consistently been shown that only when managers have a clear appreciation of what information is needed, can an effective information system be developed. For this to occur there needs to be a thorough review of the underlying processes involved in the organisations or departments concerned. In most cases this is linked to a need to introduce some form of restructuring of the lines of communication within the organisation, a redefinition of job responsibilities and a need to ensure that historicaly collected but irrelevant data is cut out.

While the current systems may be of "little continuing value for the purposes of top management information systems," improvements in effectiveness will only result from a thorough analysis of the value of current practices within government departments. Only when this has occurred will "new monitoring techniques and systems of evaluation" be required.

Catherine Griffiths,
Kobler Unit,
Department of Computing,
Imperial College,
180 Queen's Gate, SW7

Great interest

From Mr Joe Durkan.

Sir, Your report (April 21) on the increase in the discount rate in West Germany describes a process of monetary policy formulation that defies belief. That process suggests the mechanism to reduce interest rates in West Germany is to let central bankers hear that firms will absorb higher costs out of profits. Can this be serious?

It would be of some interest to know how great the contribution to the reduction in economic imbalances between US and West Germany will be, following this interest rate rise. I have great difficulty in seeing it as other than trivial.

Joe Durkan,
127 Templeogue Road,
Terenure,
Dublin 6

On the road

From Mr Andrew Tylecote.

Sir, The case for electronic road pricing is even stronger than your leader ("The cost of a journey", May 8) suggests. Economists of all stripes agree that it is desirable, and difficult, to find taxes which raise revenue without seriously distorting economic activity. Road pricing used as a congestion – and pollution – tax would raise revenue by putting right such a distortion. The higher the charge needed to "decongest" a London street, the more revenue would be raised.

The cost of road pricing to the motorist is not to be compared with the cost of congestion, for the latter is a real cost, the former would be cancelled out by cuts in, say, income taxation.

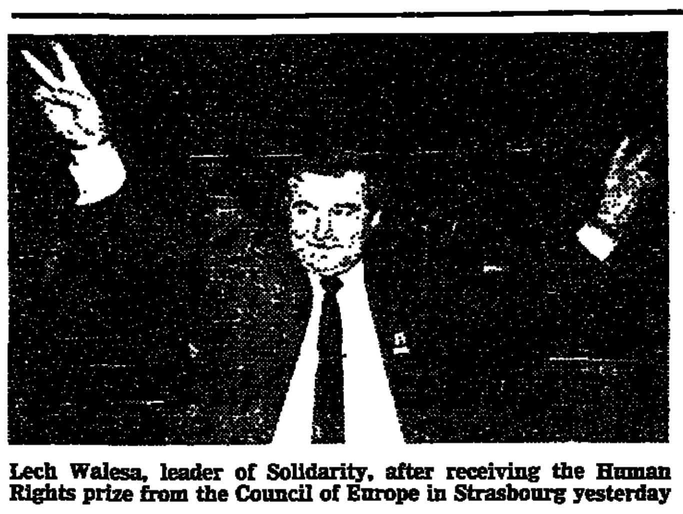
The civil liberties objection is overdone. The police computer would record the journeys of vehicles, not of persons. And the electronic surveillance would diminish "auto-crime" of all kinds – speeding, care theft, abduction. The public might not like the prospect of road pricing, but they would love it once they had it.

Andrew Tylecote,
School of Management and Economic Studies,
University of Sheffield

FINANCIAL TIMES
Thursday May 11 1989

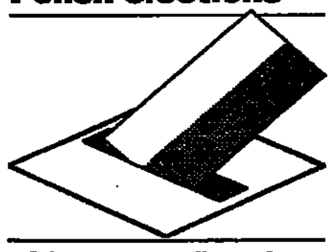
Abortion time-bomb ticks away in Poland

Christopher Bobinski reports on a key issue in the country's election campaign



Lech Walesa, leader of Solidarity, after receiving the Human Rights prize from the Council of Europe in Strasbourg yesterday

Polish elections



This is the first in a series of articles which will appear on the European news pages ahead of the Polish election to be contested on June 4

POLAND'S LIBERAL abortion laws and attempts to overturn them are emerging as potentially one of the most divisive issues in the country's unprecedented parliamentary election campaign, in which Solidarity will be seeking to demonstrate its hold on the nation's loyalties on June 4.

The politicians now at the head of Solidarity become tense and they lower their voices when the subject is mentioned. The Government, too, is keeping its head down on the issue, which has rolled through many a domestic living room and has even become a subject for street demonstrations.

Both sides of the political establishment know that, were the issue to be allowed to get out of control, it could even threaten the present political alignment in which Solidarity, backed by the Church, faces the authorities in an uneasy balance.

It is also a debate which provides a fascinating glimpse of the future divisions in a post-Communist, post-Solidarity Poland. And it highlights the considerable problems women face, and could conceivably provide a trigger for a women's rights movement extending beyond its traditional constituency of the intelligentsia to the shop floor.

Last Saturday, hundreds marched in Warsaw in protest against a move by some 76 parliamentary Deputies backed by the Roman Catholic Church to repeal laws passed in 1956. These, in effect, provide abortion on demand and would be replaced by a total ban and three years in prison for women convicted of having an abortion, as well as for the doctor conducting the operation.

Estimates on the number of abortions carried out each year vary from 400,000 to more than 1m, and the scale makes it clear that it is mostly a form of birth control. Supply of contraceptives, moreover, is erratic and the Church's opposition to anything but the natural forms of birth control explains low usage. Shortage of housing, especially for working-class families, as well as the grind of running a home and holding a job at the same time, makes having more than one or two children a heroic effort for most Polish women.

Yesterday the repeal bill received its first reading in parliamentary committee, which heard a government representative say that abortions were an evil but at times a necessary one. The committee did not find grounds for repealing the present liberal law. The Government also suggested to Parliament that the draft should be put out for consultation or even a referendum, a solution that would postpone the issue.

Church representatives stuck to their guns but conceded that prison terms for women breaking the law could be debated.

Outside parliament, about 100 demonstrators picketed the building. Like Saturday's demonstration, it was a motley crowd, comprising a handful of extreme left-wingers, some fractious unofficial Socialist party members, university students and plain liberal freethinkers, whose instinctive loyalty in the past had been for Solidarity.

One such demonstrator carried a placard bearing the message: "Down with Both the Red and the Black Dictatorship." And for the first time for many years, Warsaw heard anti-clerical slogans chanted in good faith, as the march went past the residence of Cardinal Josef Glemp, leader of the Roman Catholic Church in Poland.

There were also representatives from the official Women's League and from Bydgoszcz, a group of women who had organised themselves just around this issue. "We were in Solidarity and active in the underground, too," said Ms Joanna Buszkowska, from the group, "but on this they are too much in the hands of the Church."

They boasted that in two hours they had collected 200 signatures from women in the local Telfa electronics factory on a petition against the repeal. This tends to confirm the experience of a women's weekly newspaper, which has had letters from women in the cities uniformly against repeal, while those in the countryside oppose abortion.

Supporters of repeal also come from the groups which will populate the right wing of Poland's future political spectrum. Some 10 days ago roughly the same number demonstrated in Warsaw to have the ban imposed as marched in the pro-abortion demonstration. They ranged from a handful of monarchists to Roman Catholic student groups, some close to pre-war nationalist traditions, others professing allegiance to Christian Democrats.

For these marchers and their supporters, also collecting signatures on mass petitions mostly in churches, the 1956 law, apart from the moral and medical arguments put forward by the Church, was a Stalinist move designed to depopulate the country, thus weakening "the nation."

Roman Catholic Church support for the proposed ban on abortion is, of course, the key. For a few years now, the Church has managed to occupy a position between Solidarity and the authorities, helping both sides to reach last month's round-table accord, which brought Solidarity back on to the political scene. Now the Church is well-placed to ask both to support its position on abortion.

The Government is also afraid of arousing the Church's ire in the run-up to the election. As for Solidarity, Mr Lech Walesa, when asked about abortion after a meeting last week with Cardinal Glemp, said: "Something must be done. We must stop murdering each other. I was a fourth child; I wouldn't have stood a chance."

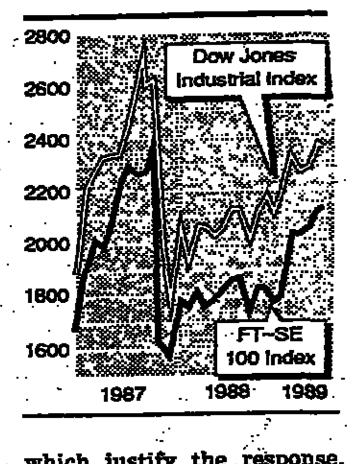
But even if Mr Walesa is clearly anti-abortion, his closest advisers, with their left-liberal backgrounds, equivocate, saying they are against abortion but do not want to see people in prison for terminating pregnancies. They are hoping this will get them through the next few weeks unscathed, as they are only too aware they still need the Church's support in the election campaign.

On the other hand, a clear pro-abortion stance would not only induce qualms of conscience for Solidarity's liberal elements, but cost the movement the votes of women in the cities.

THE LEX COLUMN

A narrow view of margins

The heavy oversubscription of the $1bn privatisation of Spain's Repsol and the increase in the size of a £150m convertible for Ladbroke yesterday are reasonably confident signals. But the bullish tone in international markets could easily be jeopardised by any further rise in continental interest rates and/or the US dollar.



Profit margins

Is the Bank of England's discovery that profit margin growth in manufacturing industry may have been less rapid than suspected good or bad news for the equity market? The steady rise in margins since 1982 must be among the longest periods of profit improvement in UK history and is one of the primary reasons why the FT-A All-Share index has more than trebled over the period. However, an article in today's Bank of England quarterly bulletin argues that margins are not yet back to the peak levels of the early 1970s.

In terms of general economic policy management, this revelation is not particularly encouraging since it suggests that there is less fat, in terms of industry margins, to offset inflationary pressures at a time when the economy is slowing down. However, the message for the corporate sector is less clear-cut since it means that UK corporate profit growth has been surprisingly robust during a period when increased margins have become less important. Indeed, worries about the outlook for corporate profitability have been based partly on the assumption that UK industry cannot sustain these sorts of profit levels. If profit margins are not as high as first thought, then such fears may be overdone.

As for the Bank's analysis of trends in sectoral profit margins, the continuing weakness in the retailing sector, comes as no surprise. More puzzling is the wide disparity between the Bank's figures and aggregate company data which point to steadily widening retailing margins over the past decade.

BAA

The simple fact that the OFT has received complaints from a couple of angry courtesy coach operators about airport parking charges is not worth 10 per cent off the BAA share price over the past two days. However, the complaints have unearthed deeper worries which justify the response. Whether BAA gets away with its proposed charges does not matter: if there is any question of the MMC becoming involved, the freedom the company has over its concessionary income may be challenged. Arguably, BAA got off too lightly when it was privatised two years ago, with no attempt made to break it up, and with price regulation applied only to revenue per passenger. Now that the Government has apparently changed its priorities to give consumers of monopoly services priority over shareholders, the MMC could well be called in. After all, the goalposts have already been moved at both British Telecom and British Gas; BAA's turn might be next.

The recent 20 per cent outperformance in the share price itself suggests such an examination is overdue. The market has become increasingly excited about the steady, top quality earnings growth to be squeezed out of BAA's captive market; but such very encouraging profits hint at a tighter pricing formula post-1992. Of course, this week's scares may come to nothing, but these days it is salutory for the market to remind itself of the political risks of investing in a privatised monopoly.

Lowndes Queensway

The first glimpse of Lowndes Queensway's figures is singularly unenlightening. Not only are they prepared as if Hamleys had been sold last August rather than yesterday, but a great bundle of reorganisation costs – amounting to about three times the £9m profit – has quietly been written off to reserves. Neither does the prose clarify matters. The management correctly recognises that every aspect of the business needs overhaul, and has plenty of good ideas; but as consumers are not interested in buying either furniture or carpets at the moment, progress is rather hard to measure.

Unless interest rates start to come down quickly, the buyout continues to look a serious mistake. After an interest charge of almost £20m, the company may only make £10m this year, and even on the bold assumption of a 50 per cent rise in sales density and increased margins to 10 per cent, profits would still seem to be stuck around £20m. While a p/e of 15 is scarcely deserved, investors seem reluctant to realise a loss of over 50 per cent in less than a year. Maybe they hope that Sir Phil Harris, who has done rather nicely from the whole thing, will shortly decide to lock in his profit and buy it all back.

Volkswagen

Scarcely a year ago, it would have taken more than mere optimism to predict that Volkswagen would escape with earnings per share intact in 1988. In fact, earnings rose by nearly a quarter last year, and in the first quarter of 1989 – which was to have been the year of an actual decline in sales – VW sold 18 per cent more vehicles and made 26 per cent more in net profits than in the same period last time.

But Volkswagen cannot live forever in the best of all possible worlds. Profits will eventually lose the momentum provided by strong volume growth, and VW will then have to push margins up to levels more in keeping with the rest of Europe's volume car sector. For if VW made a pretty impressive amount of money in 1988, some of the other volume carmakers turned in an even more creditable performance. The recent reporting season showed the specialist carmakers in some considerable difficulty; but volume carmakers had a truly splendid 1988.

If VW can carry on the process of catching up the margins of its competitors – the company's pre-tax margins may only have been 3.6 per cent last year, but that certainly beats 2.1 per cent the year before – then VW could outshine its rivals once demand finally eases. But with VW on a prospective p/e of 6½ times, compared with the sparkling Peugeot on a p/e of only 4, some of that is probably already in the price.

Rafsanjani backtracks on threat to West

By Victor Mallet, Middle East Correspondent

HOJATOLESLAM Ali Akbar Hashemi Rafsanjani, the powerful speaker of the Iranian parliament, yesterday backtracked on his recent suggestion that Palestinians should pursue a terrorist campaign against Westerners.

His comments in a sermon at Friday prayers last week outraged Western public opinion and drew fierce criticism from the US, the European Community and the Palestine Liberation Organisation, whose leadership has renounced terrorism in the search for peace.

Mr Rafsanjani was quoted by Tehran Radio yesterday as saying that he did not advocate the killing of Westerners and that his remarks had been misinterpreted, although the relevant parts of his sermon – broadcast on the radio and monitored by the BBC – appear unambiguous.

"If for every single Palestinian martyred in Palestine today they execute five Americans or English or French people – outside Palestine, not inside – they (the Israelis) will not repeat such wrongdoings," he said to chanting supporters at the Friday meeting.

Mr Rafsanjani, long regarded *as one of Iran's more prag*matic politicians, also advocated hijacking and the blowing up of Western factories, and it was assumed that he was trying to affirm his radical credentials and strengthen his bid for the presidency ahead of elections later this year.

His climbdown yesterday suggests that his comments were intended for internal rather than international consumption. Iran needs to rebuild its economy after the eight-war with Iraq, and the government is conscious of the need for foreign participation.

Iranian newspapers reported yesterday that Ayatollah *Ruhollah Khomeini, the coun*try's spiritual leader, had approved the principle of foreign borrowing to finance major projects, for example in steel production or power generation. In the meantime President Ali Khamenei is on a visit to China and North Korea, and Mr Rafsanjani is planning a trip to Moscow next month.

In his explanation yesterday of the controversial sermon, Mr Rafsanjani said he had meant that Israel's oppression of Palestinians would naturally cause violent reactions. "I have always said that if the Americans want to eliminate terrorism they should dry out its roots ... *They should not allow* Israel to do these things."

Borrowing go-ahead, Page 6

Howe and Genscher to seek nuclear compromise

By David Goodhart in Bonn

A RENEWED EFFORT to seek a compromise within Nato over the future of short-range nuclear weapons will be the main theme of a lunchtime meeting today between Sir Geoffrey Howe, the UK Foreign Minister, and Mr Hans-Dietrich Genscher, the West German Foreign Minister.

The Bonn Foreign Ministry said that Mr Genscher would be travelling without Mr Gerhard Stoltenberg, the new West German Defence Minister, but would not reveal at whose initiative the meeting in London had been arranged. Mr Stoltenberg will be returning to the US next week.

Two weeks ago Mr Genscher and Mr Stoltenberg unexpectedly flew to the US for what appear to have been fruitless talks about the differing positions of the US and the UK on the one hand and several European countries – led by West Germany – on the other.

West Germany is adamant that no decision should be taken on modernising the current short-range weapons until at least 1992 and that talks with the Warsaw Pact about reducing the numbers of such weapons on both sides should run parallel with the Vienna talks on conventional arms reductions.

The US and the UK are opposed to both positions but especially to negotiations.

In spite of the apparent impasse there have been daily communications between the main countries involved trying to clear the ground for a compromise before the Nato summit in Brussels at the end of the month.

The pressure on Mr Genscher to revise at least part of the current German position is also now coming from within the centre-right coalition in Bonn.

The Christian Social Union, right-wing sister party to the Christian Democratic Union, is leading the campaign to patch up relations with the US and the UK and is prepared to drop the demand for early negotiations on the short-range weapons.

One possible area of compromise is to link negotiations on the short-range weapons to the achievement of satisfactory conventional balance in Vienna and to insist that a minimum number of the weapons must stay.

Mr Vernon Walter, the new US ambassador in Bonn and a key figure in the search for a *compromise, said yesterday* in West Berlin that he was confident that agreement would be reached before the Brussels summit.

Latin America and US join against Noriega

Continued from Page 1

ment added its voice to that of Peru on Tuesday night with a strongly-worded statement condemning the interruption of the vote-counting process and the publication of results "taken from adulterated polling station returns." The message was delivered to opposition leaders in Panama.

The two countries have promised to help co-ordinate a joint Latin American response to the Panamanian crisis and to "study the available options in order to guarantee respect for the will of the Panamanian people."

The involvement of Carlos Andrez Perez, President of Venezuela, and Alan Garcia, President of Peru, is significant. Both have been very publicly opposed to US policy in other areas, including debt and Central America.

Leaders of ADOC, the opposition alliance, met ambassadors from the EC and the seven principal Latin American countries on Tuesday, to request their governments to recognise the legitimate election results.

Another meeting was being planned last night between the entire diplomatic community in Panama and leaders of Colina, the pro-government coalition headed by Mr Duque.

Lord Young rejects key clause of Delors report

By Philip Stephens, Political Editor, in London

LORD YOUNG, Britain's Trade and Industry Secretary, yesterday underlined a growing conviction at Westminister that Mrs Margaret Thatcher, the Prime Minister, is determined to resist Cabinet pressure to take sterling into the European Monetary System.

In a speech to the Bruges Group, a free-market pressure group, Lord Young launched a strong attack on the report prepared by the Delors committee of European Community central bankers which recommends a three-stage process leading to full monetary union.

He singled out a clause in the report which states that all Community governments should commit themselves at the "outset" to that final goal.

It is understood that Mrs Thatcher has repeatedly cited that clause as a key flaw in the argument of some ministers – including Mr Nigel Lawson, Chancellor of the Exchequer, and Sir Geoffrey Howe, the Foreign Secretary, that Britain should consider "signing up" for the first stage.

That stage envisages Britain, Spain, Portugal and Greece becoming full members of the EMS, but would not involve any changes to the Treaty of Rome. The ministers' argument is that by joining the exchange rate mechanism, Britain would be in a much better position to block the second and third stages envisaged in the report.

There is concern that Britain risks finding itself isolated when the report is discussed at next month's Madrid Summit.

The unease of some senior ministers is shared by several prominent Conservative MPs, who believe that Mrs Thatcher's refusal to contemplate full EMS membership could result in Britain being left behind in a "two-speed" Europe.

particularly worried.

Those close to the Prime Minister, however, describe such fears as "their problem" and insist that she sees no political or economic reason to be pushed into membership.

Lord Young, whose views are thought to be close to those of the Prime Minister, said Europe should not be distracted by the "unrealisable dreams – or nightmares" – of the Delors report.

Instead the focus of efforts should remain on the creation of the single European market, which, although due to be implemented by 1992, would in reality take governments until well into the next century.

Taiwan may use reserves to back debt strategy

Continued from Page 1

Mr Mulford appealed both to Mexico and to its commercial bank creditors – at present "a long way apart" in talks due to resume in New York next week. But he said the gap between the two was not surprising at this stage.

At a time when the executive boards of the International Monetary Fund and the World Bank are in detailed discussions about their participation in the debt reduction strategy, Mr Mulford denied there was any "wrangling" in the two bodies over the issue.

Mr Mulford acknowledged, however, that some surplus countries had not provided the hoped-for backing. He said the US had appealed directly to some countries, including West Germany, for direct funding for the plan. But he noted that "the German Government has not been forthcoming and they've been less supportive of some of the concepts than we would like." The UK and other European countries have also had doubts about the transfer of risk from the commercial banks to the multilateral institutions, and ultimately to their taxpayers.

The only direct support so far has come from Japan with a promise of $4.5bn.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	S	18	64	Malta	S	21	70	Rhodes	S	21	70
Algiers	C	23	73	Edinburgh	F	10	50	Manchester	F	12	54	Rio de J'o	C	23	73
Amsterdam	S	15	59	Faro	S	19	66	Manila	C	34	93	Rome	S	21	70
Athens	S	21	70	Florence	S	22	72	Melbourne	F	18	64	Salzburg	S	22	72
Bahrain	S	30	86	Frankfurt	C	17	63	Mexico City	F	26	79	San Francisco	F	11	52
Bangkok	C	34	93	Funchal	F	19	66	Miami	S	24	75	Seoul	C	23	73
Barcelona	S	19	66	Geneva	C	16	61	Milan	F	21	70	Singapore	F	29	84
Beirut		–	–	Gibraltar	S	19	66	Montreal	F	7	45	Stockholm	F	13	55
Belfast	F	10	50	Glasgow	F	11	52	Moscow	C	19	66	Strasbourg	C	16	61
Belgrade	S	22	72	Guernsey	Fg	11	52	Munich	R	17	63	Sydney	F	20	68
Berlin	C	15	59	Helsinki	S	11	52	Nairobi	F	24	75	Taipei	C	31	88
Biarritz	S	22	72	H. Kong	R	29	84	Naples	S	22	72	Tangier	F	20	68
Bombay	S	35	95	Innsbruck	F	20	68	Nassau	C	29	84	Tel Aviv	S	24	75
Bordeaux	F	21	70	Inverness	R	8	46	New Delhi	S	39	102	Tenerife	S	22	72
Brussels	F	16	61	Islamabad	C	33	91	New York	R	11	52	Tokyo	F	25	77
Budapest	S	21	70	Istanbul	S	17	63	Nice	S	18	64	Toronto	C	7	45
B. Aires	F	17	62	Jakarta	R	32	90	Nicosia	S	21	70	Tunis	S	23	73
Cairo	S	29	84	Jersey	S	16	61	Oporto	F	18	64	Valencia	C	21	70
Cape Town	C	19	66	Jo'burg	F	19	66	Oslo	F	10	50	Venice	S	20	68
Caracas	C	26	79	Lima	F	22	72	Paris	F	17	63	Vienna	S	20	68
Casablanca	F	20	68	Lisbon	S	19	66	Peking	C	18	64	Warsaw	S	22	72
Chicago	F	5	41	London	S	17	63	Prague	C	17	63	Washington	Dr	13	55
Cologne	R	12	54	Los Angeles	F	14	57	Reykjavik	F	4	39	Zurich	C	13	56
Copenhagen	F	12	54	Luxembourg	C	15	59								
Corfu	S	20	68	Madrid	F	22	72								
Dallas	F	14	57	Majorca	S	21	70								
Dublin	C	10	50	Malaga	S	21	70								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Baker reassures Moscow

Continued from Page 1

The two sides politely brushed aside the prediction by Mr Dick Cheney, US Defence Secretary, that President Gorbachev's reform policies would fail: the Soviet side accepted Mr Baker's reassurances that Mr Cheney was not speaking for the Administration.

US officials said a "strong sense" had emerged from the talks of the "real possibility for co-operation" over the Middle East. The official said Mr Shevardnadze had been "positive" and "encouraging, though not definitive" when Mr Baker urged him to recognise Israel. However, the Soviet side's public comments on the Middle East were not quite so encouraging.

Mr Gerasimov pointedly reaffirmed Moscow's belief in the central role of the Palestine Liberation Organisation in the peace process, and the desirability of a Palestinian state. He hailed as positive, and likely to help in the construction of a "common European home". President Bush's forth*coming visits to Poland and* Hungary. He added that the division of Europe was "one of the greatest mistakes of our predecessors."

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday May 11 1989

INSIDE

Clouds without a silver lining

Alitalia. To the harassed Italian air traveller it has become a byword for unreliability. Even as new chairman Carlo Verri (left) celebrates today a shake-up of top management, over the horizon comes the threat of renewed strike action by the state airline's 1,500 pilots. John Wyles explains how just about every conceivable industrial dispute which could have hit Alitalia's operations over the past 18 months has done so. Page 23

A not so very peculiar practice

The £72m boost to reserves revealed in its 1988 accounts by industrial conglomerate Williams Holdings could prove a harbinger of things to come. For the increase — amounting to more than a quarter of shareholders' funds at its year end — came about through the company's application of new rules on accounting for costs of pension funds. Richard Waters describes the workings of Statement of Standard Accounting Practice 24 and explains why it could have significant ramifications. Page 29

The investors' island paradise

Jamaica, one of the world's smallest stock markets, is a hot spot for investors at the moment, surging to record highs in its last three trading sessions. Sharply higher corporate profits and the evaporation of political worries lie behind the rally, as Hilary de Boerr reports. Page 42

South Yemen taps export gusher

South Yemen has found its ticket to the oil exporters club. For years it has been the poor relation of the Gulf, heavily dependent on aid from other Arab states. But by the end of this month output from oil exploration wells is expected to reach about 7,000 b/d. Page 38

The Volkswagen's not for turning

Don't retreat before growing union pressure for a further substantial cut in working time early next year. This was the message Carl Hahn, chairman of Volkswagen, had for fellow West German employers yesterday as he announced a substantial improvement in the motor group's profits. He said the company had made a healthy start to 1989, but blamed previous cuts in working time for Germany's relatively slow economic growth. Page 32

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bay Vereinsbk	378.5	+	5.5
Hypobank	373	+	4.5
Veag	269	+	3.5
Falls			
Karstadt	493.5	−	3.5
Lufthansa	172.2	−	1.1
Dresdnerbank	323.5	−	2

NEW YORK ($)			
Rises			
Newmont Mining	40¼	+	1
Avon Products	30⅛	+	3½
Pub serv N.Mex	11⅛	+	1
Falls			
Beckhusker Ent	28⅛	−	1
Honeywell	78⅝	−	1
KWA	103⅞	−	⅝

PARIS (FFr)			
Rises			
Gallimag	442	+	23.2
UIF	559	+	28.4
Falls			
Comptoirs Mod	1010	−	37.8
Bescalta	487	−	17.3
Essilor	1584	−	54
Sovac	842	−	28

TOKYO (Yen)			
Rises			
Kodenshi	2270	+	300
Taiheiyo Kaiun	914	+	99
Marutachi Ware	1410	+	140
Shimell Kaiun	1290	+	120
Falls			
Nissei Denki	1160	−	90
Kokoku Steel	970	−	47

LONDON (Pence)							
Rises				BICC	509½	+	11½
AdmiralComp	178	+	18	Bibby J	167	+	7
Black Arrow	127	+	17	Bunzl	147	+	6
Bullers	58	+	7	Burton	207	+	8
Chesterfield	127	+	8	Evans Halshaw	293	+	36
Elsam	184	+	9	Hopkinsons	83	+	7
Ex Co Louisiana	293	+	13	Macallan-Glen	535	+	15
Ford Grp	313	+	13	Mersey Docks	705	+	23
Havelock Europa	150	+	8	Priest Marians	445	+	7
Hoskyns	495	+	15	Stakis	109	+	6
Ustech	331	+	20	Suter	200	+	6
WPP	609	+	18				
Falls							
BAA	347½	−	10½	Trafalgar House	381	−	5

Bond raises US$290m amid dividend puzzle

By Chris Sherwell in Sydney and Gordon Cramb in London

MR ALAN BOND, the beleaguered Australian businessman, yesterday shed a centrepiece of his property portfolio, the 46-storey Bond Centre in Hong Kong, in a deal which raises some HK$2.26bn (US$290m).

The announcement followed another day of distress for Mr Bond in Australia, where the share price of Bond Corporation, his Perth-based master company, floundered at a three-year low of just A$1. This stemmed from short-selling amid confusion as to whether the company had failed to pay a recent interim dividend on time.

Full control of the Hong Kong property is passing to EIE Development of Japan, Mr Bond's partner in the prime commercial building. According to Bond, the Hong Kong disposal will bring a surplus of nearly HK$1.08bn over book value for the locally quoted Bond Corporation International (BCIL), in which Bond Corp owns 66 per cent.

Analysts described the HK$5.65bn value put on the Bond Centre as within expectations in the territory's booming property market, although BCIL's net return is some HK$570m short of the apparent worth of its stake.

EIE, a private company headed by Mr Harunori Takahashi, has pledged a third of any profits to BCIL if it resells the Bond Centre within six months.

The deal, which is subject to approval by BCIL shareholders, follows their rejection in February of a Bond plan to take the Hong Kong company private.

In Australian markets yesterday, Bond shares fell 10 cents after a 3 cent drop on Tuesday, plunging back through the A$1.12 level at which the group last month announced a buy-back plan for 10 per cent of its shares.

It emerged yesterday that the Perth Stock Exchange had asked Bond Corporation to explain why it had not paid a dividend on May 1, the date advised to the exchange. In reply, Bond Corporation said it had inadvertently given the wrong date, the correct one being May 31.

Bond Corporation said "consideration was given to bringing forward the payment of the dividend but it was decided this was not appropriate."

Bell Resources, its quoted associate, said its dividend had already gone out, following a computer malfunction.

Meanwhile, Bond Corporation also faces problems over a A$400m (US$320m) equity investment it shares with the Western Australian state government in a proposed petrochemical plant. The plant has been thrown into jeopardy by the failure of the state parliament to pass legislation setting up a statutory authority to handle the government's stake.

Bond Corporation originally put A$225m into the A$1bn plant, and the Western Australian government A$175m. But the bulk of the money went to Mr Laurie Connell, one of the project's original backers, to help him remove A$350m of loans in Rothwells, his failed finance house.

Pan Am prepares to take off on flight of fancy

Anatole Kaletsky examines the audacious takeover proposal announced this week for Northwest Airlines

IN THE pre-history of Wall Street, before the dawn of the age of leveraged financial engineering, the idea of Pan Am raising $3bn to buy NWA would have seemed so preposterous nobody would even have bothered laughing.

NWA is the parent company of Northwest Airlines, the fourth biggest US air carrier. Not only does it have 60 per cent more revenues and four times the stock market capitalisation of Pan Am. It also happens to be one of the hottest properties on Wall Street.

The reasons for NWA's popularity with takeover artists are now familiar, though they were just as obvious to Wall Street analysts six months ago, when the company's stock was selling for $50 instead of $103 a share. NWA is the biggest US carrier in the rapidly growing trans-Pacific market and owns some valuable Tokyo real estate which could be readily disposed of.

By taking over Republic Airlines three years ago, it has created near-monopoly franchises in several key airports in the Northwest US, including Detroit and Minneapolis. Its leverage, at 35 per cent of total capitalisation, is very low by airline industry standards, allowing plenty of scope for borrowing to finance a bid. Last, but not least, its current management has not performed impressively.

In view of all these factors, it might have been hardly surprising that numerous well-financed groups of bidders announced plans to bid for NWA after Mr Marvin Davis, the Los Angeles billionaire oil man, put the company into play two months ago. But what is Pan Am doing casting its hat into the ring?

Pan Am, after all, is a company with a negative net worth of $306m, $900m of its own long-term debts and a nine-year record of uninterrupted losses accumulating to $1.8bn. It stands in such low esteem on Wall Street that its bonds carry the highest yield of any non-bankrupt securities traded on the New York Stock Exchange, paying an interest rate of 18.9 per cent.

Even more significantly, Wall Street's disdain for Pan Am appears to be shared by its peers within the airline industry. For several years, Pan Am has been trying to be taken over or recapitalised by a financially stronger partner. Yet despite the merger mania in the US airline industry, not a single serious bidder for Pan Am ever came forward.

In a more conservative financial age, these setbacks would have made it unthinkable for Pan Am to try to buy a company more than four times its size, in terms of market capitalisation.

By the topsy turvy logic used today on Wall Street, however, Pan Am's failure to attract any buyers for its own business, was the best reason for mounting a bid for NWA.

What Pan Am seems to be doing is inviting NWA's board to undertake a massive leveraged recapitalisation which would satisfy NWA shareholders, who are impatient for immediate capital gains, and rescue Pan Am at the same time.

And while Wall Street's initial reaction to the idea was sceptical, the more analysts look at it, the more it begins to make sense – not only from a financial, but also from an economic and managerial point of view.

Given the plethora of other potential offers for NWA, Pan Am's approach will only work if one condition is satisfied. Pan Am will have to be able to borrow more money to pay out to shareholders than any of the other bidders.

Despite its own financial weakness, there is one obvious reason why Pan Am may be able to do this. By joining forces, the two companies would create easily the most comprehensive international route system of any US airline, since NWA's strength across the Pacific is matched by Pan Am's across the Atlantic, where Pan Am is still the biggest single carrier.

Most analysts on Wall Street share the view that operating synergies would enable Pan Am to pay more for NWA than any non-airline bidder, while any financially strong airline would be stopped from buying NWA on anti-trust grounds. Pan Am's huge accumulated losses would also shelter the combined company from all taxes for at least the next three to four years.

Ironically, however, the very synergies that could be generated by a merger between the two airlines would also pose the biggest problem for a Pan Am bid.

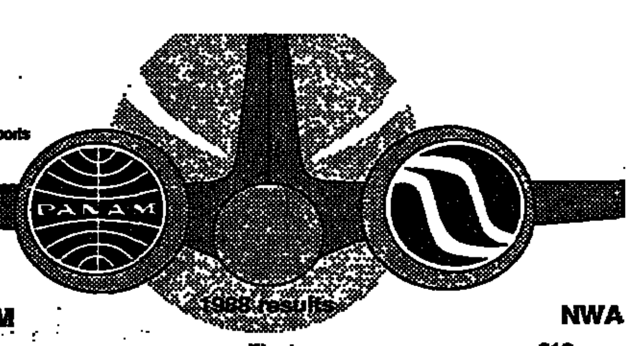
According to one Wall Street analyst, "the pilots' unions are going to be the kingmakers in any deal" because even the financing for a takeover might well be contingent on union agreements which guaranteed no future labour strife.

Even if the bid by Mr Thomas Plaskett, Pan Am's chairman, for NWA were to fail, it could yet help achieve his ambition of making his airline once again a great international carrier.

According to Mr John Eichner of SH & E, a leading New York aviation consultancy, Pan Am's new aggressiveness in bidding for NWA and trying to create a new "mega-carrier" to rival American and United Airlines could have an unexpected side-effect.

If a merger between Pan Am and NWA starts to look like a genuine possibility, either United or American could be drawn into buying Pan Am instead – which may have been what Mr Plaskett wanted all along.

Source: Company reports



PAN AM	1988 results	NWA
160	Fleet	312
22,000	Employees	38,400
$3.57 billion	Revenue	$5.65 billion
($72.7 million)	Net income (loss)	$135 million
$2.15 billion	Total assets	$4.37 billion
$2.45 billion	Total liabilities	$2.73 billion
$882.90 million	Long-term debt	$375.30 million

FT plans joint launch of Dutch newspaper

By Raymond Snoddy

THE Financial Times is planning to launch a financial and business daily in the Netherlands in a joint venture with Elsevier, the Dutch-based international publishing company.

The newspaper, which might be launched as early as this autumn, would be the most notable example so far of co-operation between Pearson, the publishing company that owns the Financial Times, and Elsevier.

Last September the two companies entered a strategic relationship involving an exchange of shares and the eventual possibility of merger.

Since then, the Financial Times and Elsevier, publisher of the influential Dutch daily NRC Handelsblad, have been looking at the possibility of entering the market for a business and financial newspaper.

Talks were held with the owners of Financieele Dagblad, an existing business newspaper, but the approach was rejected.

Mr Frank Barlow, chief executive of the Financial Times, said: "We are planning to launch a business daily in Holland in a joint venture with Elsevier."

His comment came on the day that the FT completed its purchase of Les Echos, the French business daily, in a cash and shares deal worth £88m.

The FT acquired 67 per cent of the share capital of Les Echos last May. The French Government said the remainder could be acquired a year later provided Pearson remained an EC company.

Clearance to proceed has now been given and the deal has been completed. Between May and December the paper increased its circulation by 7 per cent and had a trading profit of £6.4m.

In the first quarter of this year trading profits were £3.5m and circulation was 10 per cent up on the same period last year.

Pearson also has a stake in the Financial Post, Canada's new business daily.

Last month Mr Pierre Vinken, chairman of Elsevier, said it and Pearson were continuing to talk to other companies about possible joint ventures in line with the accelerating concentration in the publishing industry.

Asia, the US and Europe were still target areas, although the Netherlands had moved to the back burner due to insurmountable obstacles in buying Financieele Dagblad, the Dutch financial daily, which opposed a takeover.

1976: Debenhams buys Hamleys for £4.78m from the old Lines business. 1985: Burtons acquires Debenhams. 1986: Goldman Sachs negotiates sale of Hamleys to Harris Queensway for £30m. Summer 1988: Mr James Gulliver and associates buy Harris Queensway; in September Hamleys is put up for sale again. May 1989: Larchwood buys Hamleys for £22m.

Larchwood pays £22m for Hamleys

By David Waller

HAMLEYS, the London toy shop, yesterday changed hands for the fourth time in as many years when it was bought for £22m ($36.5m) by Larchwood, a California-based toys business, from Lowndes Queensway.

With this sale, Lowndes Queensway completed the disposal programme outlined last summer when Mr James Gulliver and associates acquired what was then known as Harris Queensway, the UK furniture and carpets group.

Larchwood is a newly-formed company which is backed by a management team led by Duncan Chadwick, an Englishman who has established his own toy empire, Creative Toys, in Beverly Hills, California. Hamleys' existing management is also participating in the deal.

Hamleys is as much a tourist attraction as a business. In the months leading up to Christmas, as many as 75,000 customers tramp through the Regent Street emporium a day.

The queue of buyers for the company over recent years has been attracted by Hamleys' status as the Harrods of the toyshop world and the aura of romance which inevitably surrounds a business as old as the one founded by Mr William Hamley in 1760.

But, despite the fabulous brand name, and the allure of the shop's status as toy and sports merchant to the Queen, the commercial promise has never really been fulfilled. The business has never yielded profits commensurate with the shop's reputation and has sometimes slumped into loss.

The pass-the-parcel was set off as long ago as 1970 when the Lines Brothers toys empire fell apart. Out of this, only Hamleys managed to stave off liquidation, submitting to a £4.78m takeover from Debenhams in 1976.

Nine years later, Burton Group bought Debenhams and in 1986 Sir Ralph Halpern put the business up for sale, selling it to Harris Queensway.

Sir Phil Harris paid £30m after a fierce tussle with Woolworth, which also wanted to get its hands on the brand name. He declared that he wanted to expand the stores across the nation. Two years later the expansion strategy turned out to be an abject failure.

This became clear in May 1988. Harris's profits tumbled – from £50.1m to £16.93m. Shortly before it fell victim to a takeover from Mr Gulliver, the group admitted that the expansion of the shop into provincial towns had proved "inappropriate in relation to its image and trading position".

A consolidated net operating profit of £2.34m in the year ended January 1986 had turned into a loss of £4.06m in the year to January 1988.

What went wrong? According to Mark Husson, a retail analyst at Morgan Stanley, the charm of the Regent Street shop simply could not be replicated in the provinces. Mr Gulliver made it clear that Hamleys would be sold to cut the buy-in team's gearing. Analysts say the price at £22m (£18m in cash) is not ungenerous – but the fact that it is £8m less than Sir Philip Harris paid three years ago speaks volumes for the depressed state of the retail sector.

Lex, Page 26

Repsol increases size of sell-off

By Peter Bruce in Madrid

HEAVY DEMAND for shares has forced Repsol, the Spanish oil conglomerate being partly privatised by the Government, to increase the size of its $1bn flotation by 10 per cent and to limit drastically the allocation of shares to applicants.

Applications for the original 72m shares – or 24 per cent of Repsol – offered at Pta1,700 each closed on May 6 and trading begins today in the four Spanish stock exchanges and in New York. The increased offering values the flotation at Pta135bn ($1.13bn), Spain's biggest and one of the world's largest this year.

The offer of 40m shares in Spain was oversubscribed three times and has been increased by another 4m shares. The international tranche of 25m shares – 11m placed publicly in New York and the rest privately in Europe and Tokyo – was oversubscribed eight times and the international underwriters are likely to exercise their option to distribute a further 3.75m shares. Repsol's employees and distributors have bought 7m discounted shares.

Repsol said it expected the shares to rise sharply in the first few days of trading. The shares were reportedly already trading at 20 per cent above the offer price in a "grey" market in Europe.

The company said it had attracted some 400,000 new shareholders after a massive publicity campaign.

Repsol said yesterday it had decided to honour all applications worth up to Pta23,800. Applications between that and Pta1m get the first Pta23,800 and just 40 per cent of the rest of the bid. Applications worth Pta1m or more have been allotted just over 40 per cent of the shares bid for.

About 15 per cent of the national tranche has been allocated to Spanish institutions, with the rest largely going to small private buyers.

Trading in Madrid today is expected to be brisk, and brokers expect many small shareholders to offload quickly their purchases. It is also possible that many of the shares sold abroad will find their way back to the Spanish markets.

BP venture with Cepsa, Page 20

Volkswagen earnings soar 30%

By David Goodhart in Wolfsburg

MR CARL HAHN, chairman of Volkswagen, the West German motor group, yesterday appealed to his fellow employers not to retreat before growing union pressure for a further substantial cut in working time early next year.

Mr Hahn, who was announcing substantially improved 1988 profits and a healthy start to 1989, blamed previous cuts in working time for Germany's relatively slow economic growth and failure to reduce unemployment.

Some German employers have already accepted that strike action is probable next year when, for the first time since 1987, the contract covering most of the metal industry is renegotiated.

VW, which has a particularly powerful trade union structure in Germany, will negotiate six months after the rest of the metal industry but will be strongly affected by whatever is agreed in the main negotiations.

VW's cost-cutting programme appears to be bearing some fruit, partly thanks to pressure on the union in Germany to concede flexibility or lose work to Seat in Spain.

Mr Hahn said costs in 1988 had been reduced by the planned DM1bn and that DM2bn would be cut this year. The domestic workforce is also due to fall from 127,538 to 124,000 by end-1989 and to 115,000 by end-1993.

But it was the turnround in Brazil, Spain and the US which contributed most to the 30 per cent rise in 1988 net profits to DM780m ($407m). Group turnover rose to DM59.22bn from DM54.64bn: turnover was flat in Germany but 14 per cent up abroad.

Autolatina in Brazil turned a loss of DM169m in 1987 into a profit of DM228m. Seat of Spain rose from a loss of DM74m to a profit of DM18m, and VW in the US turned a loss of DM572m (reflecting plant closures) into a profit of DM117m.

Cash flow was up 3 per cent to DM5.02bn and earnings per share rose from DM37 to DM46, but the company declined to increase the dividend.

Pre-tax margins were up to 3.6 per cent (2.1 per cent) but the company's aim is 8 per cent.

The current year started strongly with a 25.7 per cent rise in first-quarter earnings to DM181m.

Mr Hahn said sales for 1989 should remain above last year's with "a corresponding increase in profits," but he admitted to difficulties in the US market where there are large unsold stocks. Sales of cars with diesel engines have also been hit but they now represent only about 15 per cent of all cars.

● Preussag, the metals and commodities group, is to pay a DM5 a share dividend for 1988, its first payment since 1985, reports Reuter. In February the group it planned a dividend of between DM1 and DM5. Preussag's 1988 group turnover rose to DM11.8bn from DM10.42bn previously.

Deutsche Bank increases partial operating profits

By Haig Simonian in Frankfurt

FIRST-QUARTER partiaL operating profits at Deutsche Bank, Germany's biggest, climbed by 14.2 per cent at group level, according to Mr Alfred Herrhausen, chief executive.

Full operating profits rose by 13.4 per cent and following the promising start to the year, the bank was confident about prospects for 1989 as a whole, he said at the annual meeting in Frankfurt yesterday.

Both figures were measured against 3/12ths of last year's earnings, which suggests partial operating profits for the quarter of around DM885m ($462m).

Continuing buoyancy on the lending side pushed interest income 4 per cent higher in the period, despite renewed pressure on lending margins. Fee income jumped by 10 per cent.

Asked if the dividend, an unchanged DM12 a share for 1988, would be raised, Mr Herrhausen said: "If business continues as it has done so far then we will have to think very seriously about a solution which will be in your interests."

Partial operating profits at Bayerische Landesbank, the big West German bank, fell by 6.4 per cent to DM490.5m last year, largely as a result of increased pressure on lending margins and higher costs.

The trend has continued this year, suggesting interest income and partial operating profits will be reduced in 1989, said Mr Hans Peter Linss, the chief executive.

Full operating profits, which include gains from trading on

Alfred Herrhausen: thinking about a dividend increase

the bank's own account, declined by 5.3 per cent to just under DM600m last year.

However, Mr Linss said the earnings were still "satisfactory" in view of the adverse factors affecting profits last year, notably the flatter yield curve, to which Landesbanken are particularly vulnerable.

The bank meanwhile is paying an unchanged 7 per cent dividend to its shareholders – the state of Bavaria and regional savings organisations.

La Générale plunges into net deficit of BFr2.4bn

By Tim Dickson in Brussels

SOCIETE Générale De Belgique, the giant Belgian holding company which plans to float 12 per cent of its shares later this year, announced in Brussels yesterday that its net losses in 1988 amounted to BFr2.4bn ($60m), compared with an after-tax profit of BFr3.6bn for 1987.

The results of the group, much in the news last year when it fought off a fierce takeover attack from Mr Carlo De Benedetti, the Italian businessman, were broadly in line with, though not identical to, forecasts made in December.

But the numbers will still be studied closely by European investors, whose confidence in the new management to produce a genuine growth strategy for the next few years will determine the outcome of the forthcoming share sale.

The company said yesterday it was still "technically possible" for the flotation to take place next month, but when asked to indicate the possible timing it refused to comment.

It has never been any secret that Compagnie Financière de Suez, the French investment bank and "white knight" which came to the rescue of La Générale's management, has borne a heavy financial burden as a result of its Belgian excursion.

The 12 per cent stake – currently owned by Suez and its Belgian allies – would raise BFr20bn-BFr25bn at an issue price of between BFr4,000 and BFr5,000 (the current share price is around BFr4,7000.)

The tactics of the La Générale management – spearheaded by the former Midland Bank director Mr Herve De Carmoy, chief executive, and the company's new chairman Viscount Etienne Davignon – has been to put as much of the bad news as possible into the 1988 results, leaving the way clear for a sparkling 1989 financial performance.

The announcement yesterday was that restructuring charges mainly at FN, the armaments manufacturer, Gechem, the chemicals concern, and Générale Trading Company worked out at BFr11.9bn (against the forecast of BFr10.5bn to BFr12bn), producing a net loss of BFr2.4bn, a a shade higher than the BFr2bn thought probable at the end of last year.

For the current year the company is now forecasting a net operating profit of "at least BFr15bn [compared with BFr11.2bn in 1988] before taking into account exceptional items." This positive trend "ought to continue beyond 1989 in view of the positive effect of the restructuring and the efforts undertaken."

BASF maintains dynamic growth

By Our Financial Staff

BASF, THE West German chemicals group, yesterday reported a 26.7 per cent rise in first-quarter group pre-tax profits, and said the dynamic earnings growth it achieved in 1988, a record year, had continued.

Group pre-tax profits were DM905m ($471.4m) against DM720m a year earlier. Group turnover rose to DM11.97bn from DM10.54bn. Parent company pre-tax profit rose to DM489m from DM343m, on turnover of DM5.9bn against DM5.19bn.

In 1988 the West German chemical giant posted record group net profit of DM1.41bn.

BASF said while sharp price rises in raw materials could not be fully transferred into higher product prices, earnings growth was sustained. Steady high demand for chemicals, plastics, dyes and finishing products led to even better capacity utilisation and, in turn, to more cost cuts.

In agrichemicals, the mild winter helped boost sales, while restructuring measures and higher crude oil prices helped the once loss-making Wintershall refinery return to the black in the first quarter.

The North American and Japanese operations showed above-average growth in the first quarter. But austerity measures introduced by Venezuela and Brazil led to sales and earnings declines.

Spanish banks register gains

THE BANCO Hispano Americano group, one of Spain's big six commercial banking empires, has posted consolidated first-quarter pre-tax profits of Pta13.8bn ($116m), a 29.2 per cent increase on the first three months of 1988, writes Peter Bruce in Madrid.

Banco Central, the country's second biggest bank, made first-quarter pre-tax profits of Pta11.8bn, up just 11.9 per cent on the same period last year when it included large extraordinary gains made by selling property and other assets.

Newmont seeks contempt ruling against Minorco

By Kenneth Gooding, Mining Correspondent

NEWMONT MINING, the leading US gold producer, last night asked a New York court to find Minorco, the South African-controlled investment company, in contempt because of alleged breaches of the injunction which prevents Minorco completing its £3.5bn ($5.81bn) takeover of Consolidated Gold Fields, the UK diversified mining group.

All that stands between Minorco and control of Gold Fields is the New York injunction which Newmont continues to pursue, even though Gold Fields, under pressure from the UK Takeover Panel, withdrew from the case on Tuesday. Gold Fields owns 49 per cent of Newmont.

Minorco, which owns or has acceptances for nearly 55 per cent of Gold Fields, has until midnight next Wednesday to have removed the injunction which prevents it buying any more shares in the target company.

Newmont's aggressive stance yesterday – it alleged Minorco breached the injunction by going to the panel and by attempting to procure a bid for Newmont – suggests that hope of an amicable arrangement is further away than ever.

Minorco is hoping that a full bid for Newmont, which would cost at least $2bn, will emerge from one of the five North American groups which have already expressed some interest.

One of them, American Barrick Resources of Canada, yesterday denied market rumours that it was about to bid but admitted: "If Newmont was up for sale we would naturally want to look at it."

Newmont's share price moved up another $1⅛ to $40⅝ yesterday. Gold Fields' share price dropped by 5p to £13.23, nearly £2 below the bid value. Minorco fell by 3p to £6.75.

Sir Michael Edwardes, Minorco's chief executive, described Newmont's latest move as "a spoiling tactic." It was "absurd" for Newmont to seek for Minorco to be further penalised for obtaining a ruling from the UK Takeover Panel in respect of a British bid.

There was no reason why Minorco should not procure a full bid for Newmont as this would "resolve the alleged anti-trust concerns expressed by Newmont."

BP sets up venture with Cepsa

By Peter Bruce in Madrid

BP AND Spain's largest private sector oil refiner, Cepsa, announced yesterday that they are to form a $50m joint venture to produce and market maleic anhydride, a chemical used in the production of plastic resins, lubricants and agricultural chemicals.

Cepsa's plant in San Roque near Gibraltar is the only one in Spain capable of producing the chemical. BP Chemicals will bring a new production process to the venture and some 50 per cent of the output – initially 30,000 tonnes a year – will be exported when production comes on stream in 1991.

The venture with Cepsa has raised some eyebrows in Spain because of BP's existing joint petroleum venture, BPMed, with Cepsa's main private sector rival, Petromed.

Earlier this year there were determined efforts, promoted by the Ministry of Industry, to force Petromed to merge with Cepsa.

Petromed resisted, taking strength from negotiations with BP under which BP was to have taken a stake of around 10 per cent in it. This would give BP access to Petromed's stake in Campsa, the state-controlled oil distribution monopoly. But, so far, this purchase has failed to materialise.

BP, nevertheless, said yesterday that it would exercise its option to take a share in Petromed "when the time is appropriate."

The option is valid until 1991 but analysts suggest that the wide diversification of Petromed's businesses may also be worrying BP.

The situation has become more complex in the past few weeks because Banesto, the big Spanish bank which has an important holding in Petromed and which originally backed the merger with Cepsa, is trying to expand its control in the face of opposition from Petromed's chairman and founder, Mr Juan Herrera.

Placer Dome hit by lower metal prices

PLACER DOME, north America's second largest gold producer, has reported lower earnings for the first quarter due to lower metal prices and higher production costs, partly offset by higher metal sales and higher investment income, writes Robert Gibbens.

The company has about C$800m of cash, derived from the sale last year of its interest in Falconbridge for C$450m (US$381m) and from record 1988 profits. Interest income doubled to C$27m in the first quarter.

Net profit in the latest period was C$37.8m or 15 cents per share, down from $39.6m or 18 cents a year earlier, on sales of C$225m against C$217m.

Average gold price realised was US$421 per oz, against US$462 a year earlier. One-third of the company's share of expected production in the final nine months of 1989 is covered by forward sales contracts at an average of US$481.

Average cash cost of production was US$279 per oz and for all 1989 it will be about US$242 as several new mines come on stream. First-quarter earnings from copper and molybdenum improved. Natural gas production willbe up sharply in the rest of 1989.

Viacom suit challenges Warner link with Time

By Roderick Oram
in New York

THE FIRST anti-trust challenges to the proposed merger of Time and Warner Communications have been raised in a lawsuit by Viacom, a cable and broadcast television group.

Viacom is seeking $2.4bn in damages from Time for allegedly using its power as the second largest operator of cable television networks in the country unfairly to promote its own pay-TV film services at the expense of Viacom's services. Viacom says the uncompetitive acts date back to at least 1980 and will worsen after the merger.

Time dismissed the allegations, saying many of them "rehash issues that have been periodically raised for more than a decade." The Justice Department, for example, has examined competition in pay-TV five times since 1980 without taking any action. The department has already cleared the merger.

Some industry observers believe, however, that Viacom has a credible case. The company also has intimate knowledge of Time's operations and many of the cable deals described in Viacom's suit.

Mr Frank Biondi, Viacom's chief executive and former head of Time's Home Box Office pay-TV film operation, has hired some half a dozen senior executives from Time over the past three years.

In addition to being a leading cable operator, Time is also the largest supplier of pay-TV programmes. Its Home Box Office and Cinemax film services have about 23m subscribers against less than 9m for Viacom's Showtime and The Movie Channel.

Time cable networks carry Showtime in some local markets but fail to promote it or put it on the best channels, Viacom alleges. In addition, HBO, for example, refuses to provide marketing money to local operators unless they agree not to promote Showtime. Time is also offering Cinemax below cost to win the number two industry slot from Showtime, Viacom says.

Poor start to year again at International Thomson

By David Owen in Toronto

INTERNATIONAL Thomson Organisation, the Canadian publishing and travel group which is poised to merge with Thomson Newspapers to form one of the world's largest information companies, has reported a small first-quarter loss from continuing operations, equivalent to the loss incurred in the comparable 1988 period.

An extraordinary item related to the sale in March of the group's oil and gas interests pushed net earnings strongly ahead, however.

The company said that first-quarter operating results were "not indicative" of the probable outcome for the full year.

In all, operating losses totalled US$22m or eight cents a share, the same as a year earlier. The $475m extraordinary gain propelled net earnings to an impressive $453m or $1.55 a share in the latest period. In 1988, earnings of $14m from discontinued oil and gas operations resulted in a final net loss of $8m. Sales rose by more than 20 per cent to $747m from $618m a year ago.

Information and publishing division earnings were ahead of 1988 levels, due largely to the much-improved performance of UK magazine, information services and regional newspaper activities.

Leisure travel-related income declined from a year ago, however. This was principally because of the inclusion of seasonal winter losses incurred by Horizon Travel.

Although Thomson anticipates a reduction in the number of highly discounted late season sales this year, it warned that competition remained intense and margins correspondingly low.

On April 27, Thomson Regional Newspapers realised a net gain of around $35m on the disposal of Reuters shares. The gain is to be included in second quarter earnings.

Early surge at Saga Petroleum

By Karen Fossli in Oslo

SAGA PETROLEUM, Norway's largest independent oil company, yesterday posted a threefold increase in first quarter net income, before extraordinary items, to NKr55m ($8m) from NKr16m, helped by an increase in crude oil production volume and higher world crude oil prices.

Operating revenue in the period increased ninefold to NKr158m from NKr17m.

First-quarter crude oil sales reached 4m barrels, against 1.5m barrels in the same period last year. For the whole of 1988 crude oil sales reached 6.5m barrels.

Saga forecast that total crude oil sales for 1989 would reach 16m barrels, of which the Oseberg oil field, in which it has an 8.61 per cent shareholding, would contribute some 40 per cent.

The Gullfaks and Statfjord oil fields, in which Saga's shareholdings are 6 per cent and 1.57 per cent respectively, are estimated to account for 35 per cent and 20 per cent of total crude oil sales this year.

Saga earlier said it was to launch a NKr500m subordinated convertible bond issue.

Spanish insurer branches into banking

CORPORACION Mapfre, Spain's biggest independent insurer, is to enter the banking business through a Pta14bn ($118.6m) investment in Invherbank, a small bank in Oviedo, *writes Peter Bruce in Madrid.*

It is to take 90 per cent of the bank by subscribing to two rights issues and plans to group its current credit and mortgage operations under the bank's direction. It will also extend its branch network.

Mapfre further reports consolidated pre-tax profits of Pta4.1bn for 1988, 42 per cent up, and is to pay a slightly higher 30 per cent dividend.

Corporacion Mapfre, quoted *in Madrid and Barcelona, is* majority owned by Spain's biggest mutual company, Mapfre Mutualidad, which controls the group's large vehicle insurance business. The rest of group insurance operations fall under the Corporacion.

The group is the largest Spanish insurer if one discounts the distortions introduced into the rankings by a surge in 1986 in single premium life policies. Most were *offered by other insurers as a* way of burying undeclared income from the tax authorities. Mapfre never became involved, but most of its rivals face court actions brought by the revenue to force them to name policy buyers.

Merged Danish drug group well ahead

By Hilary Barnes
in Copenhagen

NOVO-NORDISK, the Danish biotechnology group recently formed from the merger of Novo and Nordisk-Gentofte, two of the world's largest insulin producers, reported a surge in sales and profits in the first quarter of 1989.

Sales advanced 23 per cent on a pro-forma basis to DKr1.96bn ($266m), pre-tax earnings rose 33 per cent to DKr388m and net earnings were up 36 per cent from DKr197m to DKr267m. Earnings per share rose from DKr6.23 to DKr8.44 and per ADS from 85 US cents to $1.15.

But the interim statement warned that the first quarter performance should not be taken as indicative of the performance during the rest of the year. First-quarter sales and earnings were influenced by a larger than usual contribution from Nordisk Gentofte, related to the conversion of distributors to wholly-owned subsidiaries in several important European markets.

The group also pointed out that sales and fixed costs increased sharply in the first quarter.

Sales by the health care division, which comprises the insulin and other pharmaceuticals operations, increased by 37 per cent to DKr1.38bn.

Sales by the bio-industrial division, which includes the Novo industrial enzymes operations, increased by 14 per cent to DKr517m.

The sales of the two companies in 1988 totalled DKr6.29bn and net profits were DKr661m.

● Faxe and Jyske breweries, both listed on the Copenhagen Stock Exchange, announced an agreed merger to create a group with sales of about DKr1.1bn and 1,100 employees.

Power Financial to expand using Trustco funds

By Robert Gibbens
in Montreal

POWER Financial Corporation, the financial services arm of Mr Paul Desmarais's Power Corporation of Canada, will redeploy the C$547m (US$463.5m) proceeds from selling control of Montreal Trustco by expanding in North America and Europe.

Mr Paul Desmarais Jr, president, and Mr James Burns, chairman, said PFC now had C$600m cash available to make financial services acquisitions. It could manage one single deal worth C$1bn or more, or more probably several smaller deals.

The immediate preference is the US, where PFC's largest subsidiary, Great-West Lifeco, already does half its business. By premium income, Great-West is North America's third largest life company and by assets the sixth largest.

"We're in no hurry and there is nothing wrong with holding cash at today's interest rates."

In Europe, PFC may pursue an expansion in partnership with Pargesa SA, the Geneva investment holding company in which it now has a 19.4 per cent voting interest that cost about C$180m.

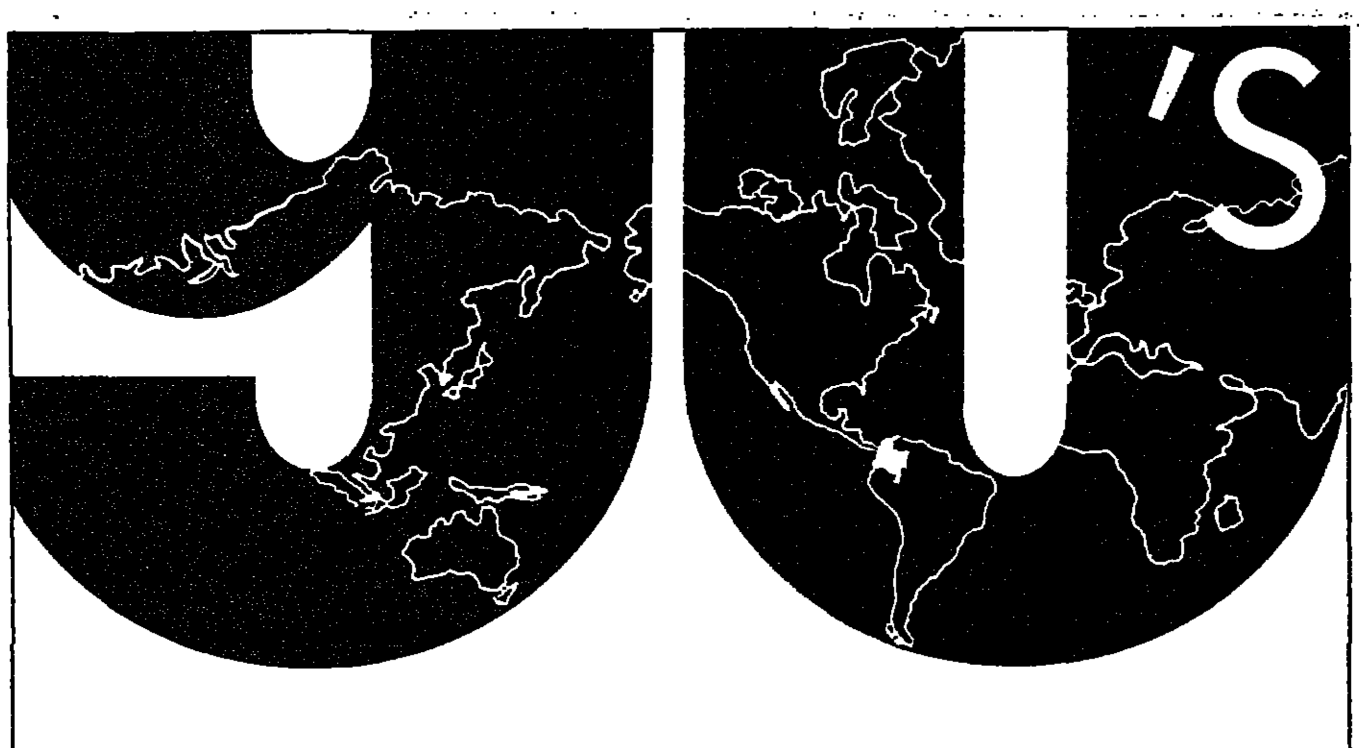
Woolworth lifts first-quarter net slightly to $36m

By Our Financial Staff

F.W. Woolworth, the US retailer, yesterday announced a slight rise in first-quarter net earnings to $36m or 56 cents a share from $35m or 54 cents a year earlier. Revenue was $1.88bn against $1.72bn.

The company said higher interest rates and higher average levels of short-term borrowings put pressure on its first quarter net income.

Higher depreciation costs, due principally to the record number of specialty stores opened in 1988, also hit first-quarter results. F.W. Woolworth said it expects interest and depreciation expense as a percentage of net income to decline during the remainder of the year.



Suntory buys Bordeaux wine stake

By Paul Betts in Paris

SUNTORY, the Japanese drinks group, is extending its presence in the French wine business by acquiring a large minority stake in the Bordeaux wine interests of the French GMF insurance group.

GMF said yesterday that it was regrouping its Bordeaux wine investments into a new subsidiary called Grands Millesimes de France and that Suntory had already acquired for an undisclosed amount a 19 per cent stake in the new company.

The Japanese group is expected to increase its stake in the new subsidiary to 40 per cent.

Grands Millesimes includes the French insurance group's substantial interests in a number of important châteaux and other clarets including Château Beychevelle, Château Beaumont, Château Bligny, Barrière Frères and the Grands Entrepôts du Medoc. These various labels generated total sales of more than FFr70m ($10.9m) last year.

In recent years, the Bordeaux wine region has attracted growing interest from both large French insurance companies and Japanese investors. Indeed Suntory, which is the leading Japanese wine producer and importer, five years ago acquired Château Lagrange, a third growth in St Julien. It also recently received French Government approval to take over Louis Royer, a small cognac house.

GMF said yesterday its association with Suntory was designed to enhance the international marketing and distribution opportunities for its French wine interests, especially in the Far Eastern and US markets.

At the same time, the deal has given the Japanese company an important new foothold in the French wine business without the risk of provoking nationalistic reflexes in France. Although the French authorities have adopted an increasingly liberal attitude to foreign acquisitions of French wine and drink assets, last winter they none the less blocked the sale of one of the country's most expensive wine labels, Romanée Conti, to a Japanese company on the grounds that the famous Burgundy was part of the national heritage.

OBITUARY

Takahashi: renowned Japanese maverick

MR TAKAMI TAKAHASHI, chairman of Minebea, the engineering components company, and renowned as a Japanese business maverick, died yesterday morning in a Tokyo hospital after an acute attack of pneumonia.

The 60-year-old businessman had overseen Minebea's development into the world's leading maker of miniature bearings. He began work at a textile company a year after graduating from university. Eight years later, in 1959, he became manager of Japan Miniature Bearings, which Mr Takahashi was determined to enlarge, believing that small companies are at a great disadvantage in Japan.

Mr Takahashi prided himself on the diversity of his business interests, and was both admired and condemned within Japan for his aggressiveness, in particular, for an unusual and unsuccessful hostile takeover attempt for Sankyo Seiki, an electronics parts maker, two years ago.

Other, successful acquisitions had broadened the company's range of interests to include furniture distribution, hand-gun production, and fasteners. The company has subsidiaries in Thailand, Singapore, and the US, and a joint venture in semiconductor production in the UK.

Mr Takahashi's style, both personal and business, had set him apart from the business establishment, which he condemned for its conservatism. Japanese executives, he said, are unable to make quick decisions.

The natural result of Minebea's diversification was a fall in its reliance on bearings, which accounted for 28 per cent of the company's sales last year, while electronic equipment and parts accounted for 46 per cent.

Minebea itself was the target of an unsuccessful takeover attempt in 1986 by Trafalgar-Glen, an Anglo-US investment group, a challenge that prompted an irritated Mr Takahashi to call his pursuers "children" and "amateurs."

Takami Takahashi: tactics admired and condemned

Acquisitions boost Tiger

By Jim Jones in Johannesburg

TIGER OATS, one of South Africa's largest food groups, lifted sales and profits by a third in the six months to March, helped by the inclusion of food and pharmaceuticals acquisitions.

Mr Robbie Williams, chairman, says the group's structure has altered significantly in the past two years as the proceeds of the sale of a stake in J. Bibby of the UK to Barlow Rand, Tiger's parent, have been used for acquisitions in South Africa.

Turnover rose to R2.76bn ($1.05bn) from R2.09bn, and pre-tax profit increased to R202m from R161m.

Net earnings increased to R7.69 a share from R6.03, while the interim dividend has been lifted to R1.94 from R1.55.

The strongest proportional growth in attributable earnings came from the pharmaceutical interests.

The directors plan a 10-for-one split of Tiger's 13.9m ordinary shares.

Asia Securities up 167%

By John Elliott in Hong Kong

ASIA Securities International, a Hong Kong property company controlled by Mr Bill Wyllie, the Australian entrepreneur, yesterday reported consolidated profits for last year after tax and minority interests of HK$143m (US$18.4m) up 167 per cent.

Mr Wyllie, who used to run the BSR International electronics group, said that property sale and rentals were the main contributors to an increase in turnover – up 26 per cent to HK$477m.

The company obtained a Hong Kong public listing in February 1987, when it took over Union V-Tex Realty. It changed its name two months later.

Mr Wyllie said the company's core investment activities of property development and estate management had been grouped under AsiaSec Properties, a wholly owned subsidiary.

A special cash bonus of 10 cents per share was announced yesterday in addition to a final dividend of 5 cents per share.

Alitalia faces a turbulent flight

Italy's state airline has been buffeted by strikes reports John Wyles

Mr Carlo Verri's bid to reorganise [illegible] management of Alitalia, the Italian travellers' byword for unreliability, finally achieved lift-off yesterday.

But the new chairman's aims of retrieving the state airline's tattered reputation and strengthening its shaky financial performance could run into early turbulence in the face of renewed strike action later this month by its 1,500 pilots.

Just about every conceivable industrial dispute which could have hit Alitalia's operations over the past 18 months has done so.

Blame for strikes by customs workers and air traffic controllers cannot be laid at the airline's door. However, added to stoppages by its airport employees, cabin staff and pilots, they have conspired, together with an inordinately foggy Italian winter, to cause the cancellation of more than 19,000 flights since the beginning of last year.

In the middle of such misery, Mr Verri has battled since his arrival from the Zanussi white goods group last summer to get a grip on the somewhat com[illegible]. Surrounded until now by political appointees occupying the two Alitalia managing directors' posts, he has finally secured from Iri, the state holding company which is his main shareholder, new executive powers for his office, a streamlining of top management and many new faces on the company's board. These changes were all sanctioned by the company's annual meeting yesterday.

The chairman is now flanked by a single managing director, Mr Giovanni Bisagnani, a 43-year-old rising star who was most recently director of foreign affairs for Iri. At the same time, an Alitalia insider, Mr Ferruccio Pavalini, has been promoted from commercial director to director general.

Sorting out the dispute with the pilots is one key to raising the company's financial performance after a 21 per cent drop in net profits last year to L52.5bn ($37.6m).

In fact, Alitalia made an operating loss in 1988 and its balance sheet was only kept out of the red after L74bn had been raised through aircraft sales and the sale of a 10 per cent stake in Alfa Avio, the aero-engine company.

With an increase in revenues last year which only just matched inflation, the airline must attract new passengers – use of capacity dropped 0.8 per cent in 1988 – and also secure government approval for a fares increase. These have remained stable for the last three and a half years, and it now seems likely that the airline has struck a tacit deal with the Government by which higher tariffs will enable it to spend its way out of politically unpopular labour disputes.

The straw in the wind floated past at the end of last week when Alitalia was too embarrassed to give public details about a late night pay deal reached with the cabin staff. Persistent industrial and political pressure finally powered the Alitalia pay offer up from 35 per cent over three years and eight months to around 56 per cent, for which the company gained in return some slender productivity concessions.

The pilots are offering these in abundance – in return for salary scales more in line with European averages.

Alitalia pilots put in an average of 388 hours a year behind the joystick compared to 510.5 at Lufthansa, 505.4 at British Airways and 423.5 at Air France.

This tends to give them rather higher remuneration per hour of flight than their counterparts elsewhere, but significantly lower annual salaries (an average of L71.3m). Captain Andrea Garlup, president of Anpac, one of the two pilots' unions, says that the company is not managing its fleet properly, and that the pilots must have pay rises even higher than those given to cabin staff together with longer working hours, so as to yield a total package more in line with European standards.

Last Thursday, the pilots postponed a new round of strikes as "an act of trust" in Mr Verri. They have given him until May 19 to produce an acceptable offer. If he fails "we shall be very tough," warns Captain Garlup, who knows that none of the chairman's new powers includes the ability to put his fleet into the air without pilots.

INTERNATIONAL CAPITAL MARKETS

Japan plans team to probe insider trading allegations

By Stefan Wagstyl in Tokyo

THE supervision of stock market trading in Japan is to be tightened by the appointment of a team within the Ministry of Finance which will examine allegations of insider trading and stock manipulation.

A spokesman for the ministry said the change would probably come into effect later this year. The team would work closely with investigators at the Tokyo Stock Exchange.

The move will still leave the resources of Japan's supervisory teams far behind those of the US. Nevertheless, Japan hopes the move will go some way to answering criticism from the US and Europe that its rules on stock market behaviour are too lax.

The MoF is also establishing a bilateral US-Japan stock market monitoring system through which information will be exchanged between the ministry's securities bureau and the US Securities and Exchange Commission. The MoF is also pressing ahead with a review of barriers separating different kinds of financial company, including the divisions between banks and securities companies.

Tatsuo Murayama: review to finish by autumn

Mr Tatsuo Murayama, Finance Minister, said he wanted to finish the review by autumn. This would allow the Securities and Exchange Council, an advisory body closely linked to the securities industry, to complete a study of the issues.

A committee of the Financial System Research Council, an advisory council mainly representing the banking industry, is close to completing its report.

It favours change as the banks are seeking to break into the securities market, whereas securities companies support the status quo.

The banking industry's committee is backing two options; for financial groups to be allowed to establish various subsidiaries to carry out each others' business; and calls for the creation of wholesale investment banking subsidiaries, which would be able to conduct all kinds of business, but not for retail customers.

Crédit Agricole registers sharp rise in profits

By Paul Betts in Paris

CREDIT AGRICOLE, France's largest bank, yesterday reported a sharp rise in net profits for last year, well above the average increase in French bank earnings in 1988.

Profits of the Caisse Nationale de Crédit Agricole, the central organisation, rose by 69 per cent on the year-earlier result to FFr1.4bn ($216.7m). Profits of the entire Crédit Agricole network, including all the regional co-operative banks, rose by 57.6 per cent to FFr8.9bn.

Group deposits rose above the FFr1,000bn mark for the first time to total FFr1,090bn, a 12.3 per cent increase. Advances rose by 14.6 per cent to FFr698bn.

Nippon Life buys 1.3% holding in Finnish bank

By Olli Virtanen in Helsinki

NIPPON LIFE, Japan's biggest insurance group, has taken a 1.3 per cent stake in Kansallis-Osake-Pankki (KOP), Finland's leading commercial bank. The deal, a private placing worth FM156.5m ($37m), is understood to be the first big Japanese investment in a Nordic country.

Mr Jaakko Lassila, KOP chairman, said the private placement gave the bank a valuable opening to the Japanese capital markets.

The opening moves in the transaction were made by the Finnish bank. Mr Lassila regards Nippon Life as a long-term partner for KOP.

Nippon Life's shareholding makes it the fifth largest individual investor in KOP after Pohjola, the large Finnish insurance group which has 4.5 per cent of votes, Proventus, the Swedish finance group with 2.3 per cent of votes, and Ilmarinen, the Finnish insurance company with 1.5 per cent.

Nippon Life is not understood to be seeking links with Finnish insurance companies.

Nippon Life's investment is the result of years of study of the Finnish and other Nordic capital markets. Its shareholdings account for 11.4 per cent of KOP free shares.

The private placement consists of 2.5m shares at FM62.60 each. This is the average KOP free share over the past month.

Pacific Dunlop to raise A$147.6m

By Our Financial Staff

THE international placing of shares by Pacific Dunlop, the Australian industrial group which recently forged into the US with a $228m takeover, will raise A$147.6m (US$118.1m) in new funds for the company.

The placing, which will see shares issued in North America, Europe and Australia and New Zealand, consists of American depositary receipts (ADRs) and ordinary shares. In total, 36m ordinary shares will be issued.

Morgan Stanley, the global co-ordinator for the funding, said yesterday that the placing price would be A$13 per ADR and A$4.10 per ordinary share.

Morgan Stanley and Merrill Lynch Capital Markets will offer the 4m ADRs, representing 16m Pacific Dunlop ordinary shares, in the US and Canada. Morgan Stanley International and Credit Suisse First Boston will issue 11m ordinary shares outside the US, Canada, Australia and New Zealand.

In Australasia, 9m ordinary shares are to be offered to institutional investors by Potter Partners Underwriting and E.L.& C. Baillieu.

Pacific Dunlop, which makes batteries and tyres and a wide range of rubber medical and consumer products, has recently combined fast profits growth with a strong appetite for takeovers.

Last September the group acquired Repco, an Australian car parts business, for A$856m. Two months later it announced the purchase of the Mates brand of condoms and in February it turned itself into the world's largest industrial producer of industrial gloves via the A$228m takeover of Edmont division of Becton Dickinson of the US.

For the first six months of its current financial year, ending June 1989, Pacific Dunlop turned in after-tax profits 45 per cent higher at A$124.6m. This followed five years of profits growth, culminating in 1987-88 with a 32 per cent gain in group net earnings.

Sydney futures traders consider clearing house

THE Sydney Futures Exchange (SFE) may set up its own clearing house instead of working through the London-based International Commodities Clearing House (ICCH), Reuter reports.

Mr Clive Carroll, a SFE committee member, said members wished to control their own operation while integrating the local futures industry.

If the SFE decides to go it alone, it must give the ICCH at least 12 months' notice. Mr Carroll said he saw a home-grown clearing house having a guarantee fund of more than A$40m (US$32m).

He added that no local banks had been asked to back a local clearing house. The ICCH's guarantee fund is £100m ($166m).

The SFE has appointed a committee to consider alternative clearing house options. It is due to report to the exchange board and members at the end of July.

Mr Carroll said: "The SFE board has passed a motion to proceed towards self clearing. A lot of work will need to be done and there are alternatives to be considered."

Citibank in Australia underwriting link

CITIBANK of the US and the State Bank of New South Wales are to underwrite jointly Australian leveraged buy-outs, management buy-outs and mezzanine finance, AP-DJ reports.

The two banks said the arrangement would pool their resources in the fast-growing business segment and bring together their respective strengths and expertise.

Citibank has created two lending divisions in Australia, one to deal with leveraged finance and the other to cater for so-called mezzanine finance, a high yielding debt instrument which gives lenders rights to share in the increased equity value of the company being financed.

The two banks have developed a close relationship over a number of years. The new association will give them a stronger market position.

Sweden reviews tax

SWEDEN IS ready to revise the turnover tax on the Stockholm share and money markets if the effects of the tax prove too negative, AP-DJ reports.

Mr Nils Aasbrink, Under-secretary for Finance, said there were no immediate plans to change the 2 per cent tax but he emphasised recent deregulation of foreign exchange controls could alter this.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 10

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Alberta 9⅞ 95	600	98¼	98⅝	-0⅛	0	9.70
Austria 9⅝ 93	140	99⅛	99¼	-0⅛	0	9.77
B.F.C.E. 7 92	150	92⅝	93⅛	-0¼	0	9.94
B.F.C.E. 9¼ 95	150	97¼	97¾	-0¼	0	9.76
Brit. Tel. Fin. 9⅞ 98	250	97¼	97¾	-0⅛	+0⅛	9.77
Campbell Soup 9⅞ 93	100	†96⅜	96⅞	0	+0⅜	10.07
Canada 9 96	1000	98½	99	-0⅜	+0¼	9.24
Canadian Pac 10¼ 93	100	†101½	102½	0	+0½	10.11
C.C.C.E 9¼ 95	300	97½	97⅞	-0½	-0⅛	9.79
C.N.C.A 9⅜ 93	150	98¼	98⅝	-0¼	+0⅛	6.77
Credit Lyonnais 9 91	200	†98¼	98¾	0	+0⅛	9.91
Credit National 8¼ 93	200	95	95⅜	-0¼	+0⅛	9.79
Credit National 7⅞ 92	100	94⅛	94⅝	+0⅛	+0½	9.65
Credit National 9½ 92	160	99¾	100¼	0	+0⅛	9.47
Dai-Ichi Kan 9⅝ 92	150	99⅛	99½	0	+0⅛	9.86
Denmark 7⅛ 92	500	93	93⅜	-0¼	0	10.02
E.E.C. 7 91	100	93⅝	94⅛	-0¼	-0¼	9.78
E.E.C. 7¼ 93	250	92	92⅜	-0¼	0	9.80
E.E.C. 10 93	140	100⅞	101⅛	+0¼	+0⅜	9.59
E.I.B. 7⅝ 93	100	92⅛	92½	-0¼	0	9.77
E.I.B. 9⅝ 97	150	98⅛	98½	-0½	+0⅛	9.65
Eurofima 10⅛ 93	100	†101⅜	101⅞	-0⅛	+0⅛	9.63
Elec.De France 9 98	200	95¼	95¾	-0⅜	-0⅛	9.77
Finland 7⅞ 97	200	89⅞	90⅜	-0¼	+0⅛	9.74
Finn.Exp.Cd. 8½ 92	200	96⅛	96⅝	-0¼	+0⅛	10.00
Finn. Exp. Cd. 9⅜ 95	200	97⅜	97¾	-0½	+0⅛	9.89
Ford Motor Credit 8 91	250	†96⅜	96⅞	-0⅛	+0¼	10.05
Ford Mtr. Credit 10 92	200	†100½	101	0	+0⅜	9.67
Gen.Elec.Cap.Corp. 9 93	500	†96⅞	97⅜	-0⅛	+0¼	9.78
Gen.Elec.Cap.Crp.10 1/2 91	300	100⅞	101⅜	-0⅛	0	9.77
Gen.Mtrs.Corp. 9⅛ 92	200	97¼	97¾	-0⅛	0	10.05
IBM Credit Corp. 8⅞ 91	250	97⅞	98⅜	-0¼	0	9.78
IBM Credit Corp. 9½ 92	250	99¼	99¾	-0⅛	+0¼	9.68
Italy 9½ 95	1000	98½	99	-0¼	+0⅛	9.74
Italy 9⅝ 99	1000	†98¼	98¾	-0¼	-0¼	9.86
L.T.C.B of Japan 8 91	100	95½	96⅛	-0¼	0	10.16
L.T.C.B.of Japan 9¼ 92	200	97⅞	98⅜	-0¼	-0⅛	9.87
Metropolis Tokyo 9½ 93	200	99⅜	99¾	-0¼	+0⅛	9.64
Nippon Tel.&Tel. 9⅝ 98	250	97¾	98⅜	-0¼	+0¼	9.69
Norway 8⅝ 93	500	96⅝	97⅛	-0⅜	-0⅛	9.75
Portugal 8¾ 91	300	†96⅞	97⅜	+0⅜	+0⅜	9.99
Prudential Crp. 8¾ 94	125	96⅝	97⅛	-0¼	+0⅜	9.53
State Bk S Aust 9¼ 93	100	†97½	98	-0¼	+0¼	9.97
Sumitomo Bank 9⅝ 92	150	†98¾	99¼	-0⅜	0	9.95
Swed Exp Cred 7¼ 91	100	†94⅛	94⅝	-0¼	+0⅜	9.77
Sweden 7 91	250	94	94⅜	-0¼	+0¼	9.81
Sweden 8¾ 96	200	95½	96	-0¼	+0⅛	9.61
Sweden 8½ 92	200	†96	96½	-0¼	-0¼	9.86
Toyota 9½ 91	200	98⅝	99⅛	-0¼	0	9.96
Victorian Rep 11⅝ 92	150	103⅝	104⅛	-0⅛	+0¼	10.05
World Bank 7 92	300	†93½	94	-0¼	0	9.69
World Bank 9 97	300	95⅞	96¼	-0⅜	-0⅛	9.69
World Bank 9 93	300	97⅞	98¼	-0⅜	-0⅛	9.59
World Bank 9¼ 98	300	96⅞	97¼	-0⅜	-0⅛	9.71
World Bank 9⅝ 99	500	99¼	99⅝	-0¼	0	9.69

Average price change... On day -0¼ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	94⅛	94⅝	-1⅛	-1⅛	7.24
Austria 6¾ 99	750	97	97⅛	-0⅛	-0½	7.16
Bank of Tokyo 5¾ 93	100	96¾	97¼	0	-0⅜	6.66
Commerzbank o/s. 5⅜ 93	300	†95¼	95¾	+0⅛	+0⅛	6.79
Credit Foncier 6¾ 99	500	96⅞	97	0	-0⅜	8.20
Degussa Int. 6⅛ 97	200	94⅝	95⅛	-0⅜	-0¼	6.94
E.I.B 5½ 98	150	89¼	89⅞	-0⅜	-0½	7.12
E.I.B. 6¼ 99	600	93¾	94⅛	-0⅛	-0⅜	7.12
E.I.B. 6⅛ 96	300	94⅝	95¼	0	-0⅜	7.06
E.I.B. 6½ 99	300	95¼	95¾	0	-0⅜	7.15
E.I.B. 6⅞ 95	300	99⅛	99⅞	0	-0⅜	6.96
Euro.Coal& Steel 5⅞ 97	175	92½	93⅛	0	-0¼	7.09
Eurofima 6¼ 96	100	94⅞	95⅝	0	-0⅝	7.12
Elec De France 5¾ 97	300	93	93⅝	-0¼	-0¼	6.84
Forsmark Krtg. 5½ 93	200	93⅛	93⅞	+0⅛	0	7.13
Hydro-Quebec 6¾ 99	300	96⅞	97¼	-0⅜	-0⅝	7.18
Japan Dev. Bk. 5⅛ 95	300	93⅝	94⅜	+0⅛	0	6.62
Japan Finance 5¾ 97	100	91⅝	92⅜	-0½	-0⅝	7.12
Ireland 6½ 97	300	95¼	96¼	-0⅝	-1	7.18
Malaysia 6¾ 94	150	97½	98⅛	-0⅛	-0⅞	6.75
Nat. West BK. PLC 6 98	300	92⅞	93⅛	0	-0¼	7.12
N.H.L. Finance 6¼ 95	200	†95½	96	0	-0½	7.08
Nippon Telg.&Tel. 6 95	400	95⅝	96⅜	+0¼	0	6.36
Oesters. Kontbk. 5 93	300	94⅜	95⅛	0	+0¼	6.63
Portugal 5¼ 92	150	97¼	97⅞	-0⅜	-0½	6.58
Portugal 6⅝ 95	150	98½	99⅛	0	0	6.87
Privatbanken 5¼ 93	150	93⅛	93⅞	-0⅜	-0⅜	7.26
Royal Insurance 5½ 92	300	96¾	97¼	+0¼	+0¼	6.66
Soc Cent Nuclear 7¼ 95	150	100⅝	101	+0⅛	-0¼	7.09
Turkey 6½ 95	500	95⅛	95⅞	-0¼	-0¼	7.46
Union Bk.Finland 5½ 94	200	94¼	94⅝	+0⅛	0	6.93
Westlb. Finance 5 93	200	†92⅞	93⅜	-0⅛	-0¼	7.11
World BK. 6¼ 97	600	94⅝	95¼	-0¼	-0⅝	7.48

Average price change... On day -0⅛ on week -0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†91	91½	-0½	0	6.55
Asfinag 5 03	100	†85½	86	-1⅜	-5¼	6.56
B.F.C.E. 4½ 98	200	†89	90	+0¼	-1¼	6.02
B.M.W.Fin.Neth. 5 13	150	†86½	87	+0¼	-1	6.06
Britannia B/S. 4¼ 94	100	†91¼	91½	+1	-1¼	6.28
CIR. Int. W/W 3 93	125	†90	90¼	0	-2¼	5.71
Credit Lyonnais 4¾ 00	100	†84	86	+0¼	-3	6.71
E.I.B 4⅝ 98	150	†88½	88⅞	+0⅜	-1⅝	6.30
Fletcher Chall. 4⅞ 98	150	†88	88¼	0	-0⅜	6.68
Kobe City 4⅝ 98	150	†89	90	-1	-1½	6.16
Leeds Perm. B/S. 4⅛ 93	200	†91½	92	+0¼	-0⅞	6.57
Malaysia 5¼ 98	100	-	-	-	-	-
Maxwell Comm.Crp. 5 95	150	†87	88	-1	-3⅞	7.63
Nat.Bk. Hungary 5½ 94	75	†96	96¼	0	0	6.28
Nationwide Ang.B/S. 4 93	200	†91½	92	+0½	-0½	6.34
Nippon Telg.&Tel.4¼ 95	200	†92	93	-1⅝	-1¼	5.69
Oesters.Ktbk. 5 03	75	†90	90¼	-1	-2⅞	6.05
Prov. Newfoundland 5 03	150	†90¼	90½	+0½	-0⅛	6.00
Thailand 4⅝ 95	200	†90½	92	-0¼	+0½	6.38
World Bank 5 03	150	†86¼	87	+1⅛	-2⅞	6.43

Average price change... On day -0⅜ on week -1⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Canada 6⅛ 91	80	101¾	102	+0¼	+0⅛	4.98
Canada 5⅝ 93	80	101⅞	102⅛	0	+0⅛	5.08
Eurofima 5 1995	20	99	99½	0	+0⅛	5.15
E.I.B. 4⅞ 93	30	98⅞	99⅛	0	+0⅛	5.16
Ireland 5⅛ 93	30	99⅞	100⅛	-0⅛	0	5.12
Norway 5⅛ 95	50	100	100⅛	0	0	5.12
Sweden 4⅝ 93	50	98	98¼	0	+0⅛	5.15
World Bank 5⅛ 98	10	98⅛	99⅛	0	0	5.27
World Bank 7 94	20	107⅞	108⅛	+0⅛	+0⅛	5.11

Average price change... On day +0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat.BS.10¼ 93 £	50	94⅝	95⅛	+0⅛	-0⅛	11.99
Abbey Nat. 11⅛ 95 £	100	98⅛	98⅝	-0⅛	-0⅛	11.97
Alg. Bk. Ned. 5½ 92 FL	150	95⅛	95⅝	0	-0¼	7.39
Alg. Bk. Ned. 5¾ 93 FL	200	95⅞	96⅜	-0⅛	-0⅛	7.00
Austria 7½ 94 ECU	100	95	95½	-0⅛	-0⅛	8.73
Bk.Nova Scot.14¼ 90 A$	75	96	97	0	0	16.93
Barclays Aus.13½ 91 A$	100	97½	98⅛	-0¼	-0¼	14.55
Belgium 8¼ 94 Ecu	150	97⅛	97⅝	0	-0⅛	8.80
BP Capital 9¾ 93 £	100	93¾	94¼	0	-0⅛	11.73
British Airways 10 98 £	100	91½	92	0	-0¼	11.52
Buhrmann-Tet. 6¾ 93 FL	100	96¾	97¼	+0⅛	-0¼	7.22
Comm. Bk.Aust. 12¾ 93A$	100	†92½	93	0	0	15.14
Coop.Ctr.Rabo.6¾ 93 FL	100	98½	99	+0¼	+0⅛	6.63
CrLocalFrance 9¼ 92Ecu	100	101¼	101¾	0	0	8.66
Deut.Bk.Aus. 13¾ 93 A$	125	98¾	99⅜	-0⅛	-0⅛	13.62
Eastman Kodak 13 90 A$	100	95½	96⅛	-0⅛	-0¼	16.73
E.I.B. 7 96 LFr	100	†97⅞	98¼	0	+0⅜	7.43
Elec.France 10¼ 95 C$	125	-	-	-	-	-
Eurofima 7⅞ 94 Ecu	100	95⅞	96⅜	-0⅛	-0⅛	8.64
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†96⅜	97⅛	-0⅛	-0⅛	10.99
Fed.Bus.Dv.Bk.10½ 93C$	50	98⅜	98⅞	-0⅜	0	10.91
Ferrv. Stato 7⅞ 93 Ecu	100	95⅜	96¼	-0¼	-0¼	8.96
Ford Cr.Can.10⅞ 93 C$	100	†98⅜	98⅞	-	-	11.18
Ford Cred.Can.10⅞ 96C$	125	99⅛	99⅝	-0½	0	10.99
Ford Mtr.Cred.7⅞ 93Ecu	100	96⅝	96⅞	-0⅛	-0⅛	9.00
G.M.A.C. 9⅞ 93 C$	150	†95¼	95¾	-0⅜	-0⅛	11.21
Hydro-Quebec 11 99 C$	400	100⅛	100⅝	-0⅞	-0⅞	10.94
Lloyds Bank 10¼ 98 £	150	92⅝	93⅛	+0⅛	0	11.57
Lloyds Bank 11⅞ 98 £	100	96	96½	0	-0½	12.03
Montreal Tst.10⅞ 93 C$	100	†97⅞	98⅜	-0⅜	-0½	11.39
Morgan Guar.Tst. 11 91 C$	150	99⅜	99⅞	-0⅜	-0¼	11.17
Nat. Aus. Bk. 14¼ 94A$	100	98⅞	99¼	-0¼	-0¼	15.00
Ned.Midd.Bank 6 92 FL	150	96⅝	97⅛	-0⅛	-0⅜	7.23
New Zealand 9½ 93 £	100	92⅞	93⅛	0	-0¼	11.85
Philips Gleoil. 6 93 FL	300	96	96½	+0⅛	-0⅛	7.04
Privatbanken 7⅞ 94 LFr	500	†98¼	99¼	0	+0¼	7.81
Royal Bk.Scot.10⅞ 98 £	125	94⅝	95	-0⅛	-0¼	11.67
Saskatchewan 9⅞ 91 C$	150	†97⅛	97⅝	-0⅜	-0⅜	11.24
Saskatchewan 10¼ 93 C$	200	97⅞	97⅞	-0⅜	-0⅜	10.91
State Bk.NSW. 13⅞ 93A$	100	96¼	96¾	-0¼	-0¼	14.91
Sweden 15 94 A$	100	102¼	102⅞	-0¼	-0¼	14.21
Union Bk. Switz. 7⅞ 93	150	†96⅞	97⅜	-0⅜	-0⅜	8.26
World Bank 5⅞ 92 FL	100	97⅝	98⅛	+0⅛	+0⅛	6.57
World Bank 13⅞ 92 A$	100	100⅞	100⅞	-0⅛	-0¼	13.07
Zentrspk. 13⅛ 93 A$	75	-	-	-	-	-

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.97	100.02	18/07	13.08
Bank of Greece 99 US	0⅛	99.37	99.48	8/09	10.62
Belgium 91 US	0	100.16	100.31	19/08	9.38
Chelt.& Gloucester 94 £	.063	99.84	99.90	30/05	13.47
Credit Foncier 98 US	.063	100.12	100.22	20/10	10.16
Dresdner Finance 99 DM	.031	99.85	99.95	27/07	6.59
EEC 3 92 DM	0	100.66	100.76	20/08	5.63
Halifax BS 94 £	.1	100.00	100.05	9/05	13.1
Invt. In Industry 94 £	0⅛	100.00	100.08	24/05	13¼
Leeds Perm. B/S. 94 £	0⅛	100.11	100.16	13/07	13.34
Midland Bank 01 £	.1	97.97	98.38	15/05	13.16
Milk Mkt. Brd. 5 93 £	0⅛	99.93	100.01	30/06	13.06
New Zealand 5 97 £	.07	100.06	100.16	22/05	13.06
State Bk. Nsw. 98 US	.188	100.32	100.42	11/08	9.87
Woolwich Equit. BS. 93 £	0⅛	100.13	100.18	13/07	13.37
Woolwich 5 95 £	0⅛	100.00	100.05	19/05	13.12

Average price change... On day 0.00 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	112¼	113¼	-0¼	12.51
Amer. Brands 7⅞ 02 US	9/87	56.7	120¼	121¼	+0⅜	2.26
Ashikaga Bank 2⅞ 02 US	4/87	967	136¼	137¼	+3⅛	11.00
Asics 5 92 DM	12/83	472.7	256½	257½	0	3.03
CBS. Inc. 5 02 US	4/87	200	99⅝	100⅝	+0¼	4.71
Primerica 5½ 02 US	4/87	66.75	65⅛	66⅛	0	114.98
Exp.Crisa Clay 6½ 03 £	9/88	4.8	106⅛	107⅛	-0⅜	3.43
Fujitsu 3 99 US	5/84	1106	222½	223	+0½	-0.62
Land Secs. 6¾ 02 £	6/87	6.72	96	97	-0⅛	11.04
MCA INC 5¾ 02 US	9/87	69.62	93	94	0	18.36
Minolta Camera 2¼ 94 DM	2/86	1004	114¼	115¼	-1¼	4.28
Mitsubishi Bk 1¾ 02 US	9/87	3157	122⅛	124⅛	+0½	9.84
Mitsui trust 2⅞ 01 US	10/86	1903	129	130	+1⅛	5.68
Next Plc 5¾ 03 £	11/87	3	98⅞	99⅞	0	191.58
Nishi Nipp.Bk.2⅞ 03 US	4/88	804	122⅛	123⅛	+0⅛	1.64
Onward Tateki 2⅞ 03 US	4/87	1316	238	239	-3⅞	-1.39
Ranks Hovis 4⅞ 03 £	1/88	3.5	108⅛	109⅛	+0⅛	7.83
Redland 7¼ 02 £	1/87	5.4	106⅛	107⅛	+2⅛	4.30
Saatchi&Sicht.6¾ 03 £	10/89	4.41	91⅛	92⅛	0	41.97
Sumitomo Bank 3⅛ 04 US	2/89	42⅝	92⅝	93⅞	+0⅛	18.53
Texas Inst. 2⅞ 02 US	9/87	82.87	73	74	-0⅛	53.24
W.R. Grace 6¾ 02 US	9/87	42.12	91⅛	92⅛	0	24.49

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

ICI A$100m offer reopens underwriting fees row

By Andrew Freeman

COMPETITION among Eurobond houses was cast into sharp relief yesterday when J.P. Morgan launched an A$100m for ICI shortly after it informed comanagers that it would not be paying any underwriting commissions to syndicate members on a previous deal launched in January for the same borrower.

J.P. Morgan said it had incurred heavy losses on its

INTERNATIONAL BONDS

A$100m three-year 15 per cent ICI issue when many comanagers sold their bonds into its support bid. The issue ran into trouble when the Australian market fell badly at the end of January after worries about the trade deficit and rising interest rates.

J.P. Morgan said that in view of its large losses it had decided in March not to pay any underwriting fees to comanagers. An official pointed out that it had sent yesterday's letter to comanagers three weeks inside the deadline by which they had to be informed of the nil pay-out.

The official said it had been judged prudent to inform comanagers of the decision before inviting houses to form the syndicate for yesterday's deal.

This brought the long-running debate about stabilisation, the maintaining by lead managers of an orderly market in new issues during distribution, back to the full attention of Eurobond officials.

Last month, the International Primary Markets Association (Ipma), the trade association which oversees the Eurobond primary markets, announced changes in its recommendations on market practices which forbade the deduction of stabilisation charges from comanagers' fees.

However, the changes only come into force from next Monday and do not apply to deals launched before then. In anticipation of the new Ipma recommendations, many houses have been guaranteeing that they will make no deductions from fees for any stabilisation they undertake, but none has applied this retrospectively.

Several comanagers of the original ICI deal reacted angrily to the coincidence of the J.P. Morgan letter and their invitations into the new deal. They said they had lost money on the January bonds and complained that their losses would now be larger. A handful of houses declined to enter the new deal.

The new ICI issue came with a three-year maturity and a 15¼ per cent coupon. It was priced at 101⅛ to offer a yield pick-up over the existing deal. At less full fees of 1¼ per cent, the bonds offered a yield of 15.45 per cent, against the 15¾ per cent yield of the bonds issued in January.

J.P. Morgan would make no comment on whether the issue was swapped, but it is understood that the proceeds were swapped into sterling via floating-rate US dollars. ICI is thought to have achieved its aggressive funding target of around 70 basis points below Libor.

Elsewhere, Credit Suisse First Boston launched a successful convertible Eurosterling deal for Ladbroke. The £140m issue, increased to £150m after final pricing, met good demand from European investors attracted by the attached put option. The option gives them an instrument which is an equity play with the downside characteristics of a bond.

The bonds were quoted by the lead manager at 99¾ bid, strongly inside underwriting fees of 2½ per cent. For much of the day, the bonds traded at a small premium to their par issue price.

A $150m four-year deal for LTCB Japan was launched by LTCB International. The bonds came with a 9⅞ per cent coupon and were priced at 101.45 to yield some 56 basis points over the equivalent Treasuries.

The issue was quoted by the lead manager at less 1.60 bid, inside fees of 1⅞ per cent. Traders reported limited European interest, but said the bonds would be bought in the Far East. The proceeds were swapped into floating-rate US dollars to achieve a sub-Libor funding rate.

Wood Gundy was the lead manager of a C$100m five-year deal for Toronto Dominion Bank (London). The bonds carried an 11 per cent coupon and were priced at 101.80 to yield 57 basis points over Canadian Treasuries on a semi-annual basis.

The paper was quoted by Wood Gundy at less 1.95 bid, outside fees of 1⅞ per cent.

In Switzerland yesterday, prices eased slightly in thin volumes as the outlook for short-term interest rates remained poor. The Enterprise Oil Finance SFr150m 10-year 5⅝ per cent issue closed its first day of secondary market trading at 93 bid, compared with its launch price of 101. Traders blamed the timing of the deal and the poor condition of the wider market.

A SFr150m 6¼ per cent deal for the African Development Bank was squeezed by Credit Suisse, the lead manager, after the price fell to less 4⅛ bid. At the end of the day, the price had improved to less 2⅞ bid, but there was little actual trading of the bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
LTCB of Japan(a)◆	150	9⅞	101.45	1993	1⅞/1⅛	LTCB Int.
Council of Europe(b)◆	50	13½	101¼	1990	1/⅝	Bankers Trust Int.
AUSTRALIAN DOLLARS						
ICI(a)◆	100	15¼	101⅛	1992	1¼/1	J.P. Morgan Secs.
CANADIAN DOLLARS						
Toronto-Dominion(London)◆	100	11	101.80	1994	1⅞/1¼	Wood Gundy
STERLING						
Ladbroke(b)§◆	150	5⅛	100	2004	2½/1½	CSFB
Northern Rock B.Soc.(c)‡◆	25	¼	(c)	1995		Hambros Bank
YEN						
Toronto-Dominion Bank(d)◆	10bn	6.46	101⅞	1994	1⅞/1¼	New Japan Secs.
SWISS FRANCS						
Dai-Ichi Hotel(e)§★◆	50	½	100	1994	n/a	Swiss Volksbank

★Private placement. §Convertible. ‡Floating rate notes. ◆Final terms. a) Non-callable. b) Put option after 5 years (priced at 135.75). Call from June 1989 at par provided the Ladbroke share price exceeds the conversion price by more than the put option price. c) Further tranche of £75m issue launched in October 1988. Fungible from June. Issue price not disclosed. d) Non-callable. Linked to A$/Yen exchange rate. e) Put fixed at 105 to yield 2.199%. f) Redemption linked to DM/$ at rate of DM1.875.

UK share of world banking falls further

By Norma Cohen

INTERNATIONAL banking business in London grew more slowly in 1988 than in earlier years, continuing the trend seen over the past three years, according to the Bank of England.

The Bank says in its latest quarterly bulletin that London-based banking claims in 1988 rose by 4.5 per cent, down from a 9 per cent rise recorded in 1987 and a 14.5 per cent climb in 1986. London's share of the international banking market as a whole fell to 20.9 per cent at the end of 1988 from 24.5 per cent at the end of 1985.

The Bank says the decline was matched by a corresponding increase in international lending in Japan.

The main contribution to the rise in Japan's share of international business stems from increased lending to residents in foreign currencies. Meanwhile, the decline in London's market share is entirely the result of banks reducing their interbank business, which produces low profits.

Japanese banks remain the largest single nationality group in London with 36.4 per cent of international assets at end-1988, a share that has remained broadly unchanged since the end of 1986. However, Japanese banks are apparently conducting less of their international business in London, with only slightly more than 26 per cent of all transactions based here at mid-1988, against nearly 34 per cent at end-1985.

The fall in London-based Japanese bank business partly reflects the growth of domestic foreign currency business in Japan itself, although the growth of the offshore market and growing arbitrage opportunities with other Far Eastern centres may be a factor.

In addition, the Bank notes some significant changes in the pattern of Japanese banking business in London, particularly their reduced lending to their own offices overseas. This was once their key reason for maintaining a London presence but this type of lending actually declined in 1988 when the banks were net takers of funds from their overseas branches.

Overall, London-based bank lending to non-banks in the UK has risen only moderately and Japanese banks have not increased their share of this market which, at 23 per cent at end-November 1988, is unchanged from the 1986 level.

The Bank adds that some fall-off in the growth rate, if not an absolute decline, in Japanese banks' business had been expected as a result of the Basle convergence proposals on bank capital adequacy, which have made some types of lending less profitable.

Treasuries on the defensive as auction jitters take firm hold

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds remained on the defensive yesterday and closed modestly lower amid caution about today's 30-year bond auction and retail sales release.

In late trading, long-dated issues were quoted as much as ¼ point lower, adding to losses of a full point on Tuesday as dealers started selling immediately after the three-year auction. The Treasury's benchmark long bond was quoted ⅛ point lower, taking its yield to 9.11 per cent.

GOVERNMENT BONDS

Assessments of the three-year auction were mixed. Although total bids were reasonably healthy, some dealers felt Japanese participation was a touch disappointing. The three-year sale, however, became almost irrelevant as focus swiftly turned to the remaining auctions. The three-year was widely thought to have been the most attractive of this week's auctions and there was considerable trepidation about the rest of the refunding.

The results of yesterday's 10-year auction were only fair with total subscriptions somewhat below the February auction and substantially lower than the 10-year sale in November. The average yield was 9.18 per cent.

Concern over the 30-year sales is heightened by forecasts that today's retail sales release will be strong and that tomorrow's figures will show a 0.7 per cent rise in producer prices in April compared with the 0.4 per cent gain in March.

A number of statements by Group of Seven officials in the US, Europe and Japan over the last two days have also taken the steam out of the dollar which dipped below DM1.90 yesterday morning.

MONEY market conditions in Germany fuelled speculation that higher rates may be in store when the Bundesbank council meets in a week's time. Yesterday's repurchase agreement saw a total of DM1.3bn drained from the market at a time when DM3.2bn is required to pay for the new federal bond. The June bund future on Liffe closed firmer than Tuesday, at 93.23 compared with 93.15.

THE UK bond market recovered after early weakness, in sympathy with US Treasuries, to close almost unchanged on the day. Currency watching was the order of the day.

On Liffe, the June future closed at 95.04 just 1/32 below Tuesday's level.

BOND dealers were again concentrating on prospects for the dollar, with some grasping for comfort from a statement by Mr Satoshi Sumita, the Japanese central bank governor.

He had stressed the undesirability of an excessive rise in the dollar, adding he foresaw no new factors for dollar buying. This, together with some profit taking checking the dollar's advance, lent an air of relative calm — albeit temporary — until some more substantial clues on international interest rates emerge.

A recent Nomura research report details one reason for the US currency's strength in the past month. Nomura argues that the reluctance of Japanese life insurance companies to hedge their dollar bond purchases in the new financial year after losing nearly $4bn in the year to March 31 on all foreign exchange losses is one reason for the dollar's lift since April.

Last year they had hedged the foreign exchange exposure in their US Treasury purchases but came unstuck because of the relative strength of the dollar versus the yen. This year they will be unwilling to make a similar mistake.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	105-22	-2/32	11.05	11.03	11.07
	9.750	1/98	96-27	+1/32	10.30	10.29	10.32
	9.000	10/08	87-06	-1/32	9.32	9.29	9.34
US TREASURY *	8.875	2/99	97-31	-2/32	9.18	9.08	9.26
	8.875	2/19	97-18	-4/32	9.11	8.95	9.10
JAPAN No 111	4.600	6/98	95.4047	+0.059	5.35	5.36	5.20
No 2	5.700	3/07	106.0058	+0.099	5.06	5.07	5.04
GERMANY	6.375	11/98	95.6500	-0.050	7.00	6.91	6.94
FRANCE BTAN	8.000	1/94	96.3991	-0.071	8.95	8.85	8.02
OAT	8.125	5/99	95.1200	-0.360	8.87	8.77	8.98
CANADA *	10.250	12/98	100.6000	0.050	10.15	10.10	10.47
NETHERLANDS	6.7500	10/98	96.3250	-0.050	7.29	7.20	7.11
AUSTRALIA	12.000	7/99	91.9731	-0.128	13.45	13.29	13.76

London closing. *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Nymex task-force urges curbs on cross trading

THE New York Mercantile Exchange's regulatory review task-force has recommended that cross trading between a member for his own account and the account of his customer be prohibited, along with oral orders between members for a member's own account, Reuter reports.

The task-force, set up in February, recommended the exchange's "current practices with respect to dual trading" be continued and that "the exchange continue to monitor the effectiveness of its rules and surveillance/compliance efforts."

It called for further studies of the effect that restrictions on dual trading would have on liquidity and efficiency of the exchange's markets. It also recommended that a member found to have engaged in trading practices detrimental to his customers be penalised with suspension of dual-trading privileges, at a minimum.

The Nymex task-force called for an "exchange study of the possibility of instituting a brief, closely supervised period of trading after the traditional close, to permit 'evening-up' and the completion of unfilled customer orders at a later-determined fixed price."

To eliminate any subjective judgments, the task-force recommended the exchange should study the feasibility of fully automating its settlement price procedure.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Wed May 10 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue May 9 Index No.	Mon May 8 Index No.	Fri May 5 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (207)	958.03	-0.3	10.54	4.04	11.67	11.91	961.09	961.13	967.63	742.10
2 Building Materials (29)	1199.97	-0.9	11.88	4.26	10.31	17.57	1210.58	1206.11	1215.59	956.62
3 Contracting, Construction (38)	1690.11	-0.4	13.20	4.15	9.92	28.37	1697.31	1717.99	1721.63	1533.91
4 Electricals (10)	2842.69	-1.3	8.33	4.26	14.63	25.01	2878.79	2878.93	2878.74	1995.92
5 Electronics (30)	2190.83	-0.3	8.66	3.06	14.97	13.93	2197.76	2206.44	2238.53	1562.36
6 Mechanical Engineering (54)	516.40	+0.3	10.16	3.96	12.08	7.37	514.75	513.03	514.59	384.69
8 Metals and Metal Forming (7)	542.46	------	14.15	5.51	7.99	0.43	542.23	541.39	543.16	440.13
9 Motors (17)	317.91	+0.1	11.58	4.78	10.09	6.44	317.46	317.09	316.73	268.40
10 Other Industrial Materials (22)	1602.43	-0.4	9.11	4.23	13.09	24.98	1608.43	1603.93	1615.76	1230.76
21 CONSUMER GROUP (185)	1281.79	-0.6	9.00	3.66	13.93	9.41	1288.95	1286.59	1215.79	1038.89
22 Brewers and Distillers (22)	1334.93	-0.4	9.66	3.43	13.07	9.92	1340.05	1334.71	1346.60	1067.52
25 Food Manufacturing (20)	1036.11	-1.0	9.75	3.99	12.91	11.32	1046.50	1048.23	1045.69	887.93
26 Food Retailing (15)	2157.55	-0.7	8.60	3.35	15.30	16.14	2173.68	2184.19	2172.82	1971.82
27 Health and Household (14)	2229.66	-0.8	6.44	2.62	17.69	14.41	2248.77	2257.42	2288.00	1744.76
29 Leisure (33)	1647.59	-0.1	7.52	3.30	16.69	15.53	1649.83	1638.89	1656.42	1257.93
31 Packaging & Paper (15)	577.05	-0.7	10.21	4.21	12.18	6.99	581.11	577.53	575.12	487.24
32 Publishing & Printing (18)	3555.56	-0.9	9.23	4.54	13.50	43.67	3589.47	3568.50	3578.65	3275.33
34 Stores (33)	787.99	-0.2	11.34	4.60	11.54	1.98	789.88	781.27	794.92	798.39
35 Textiles (15)	526.95	-0.3	11.83	5.38	10.27	6.31	528.51	531.35	539.89	586.41
40 OTHER GROUPS (95)	1081.62	-0.2	10.02	4.12	12.13	9.05	1084.14	1081.50	1084.25	858.94
41 Agencies (18)	1317.45	-0.8	7.02	2.49	17.81	14.30	1327.44	1326.28	1329.47	1099.51
42 Chemicals (22)	1233.68	------	11.33	4.78	10.47	22.54	1233.11	1231.30	1235.00	983.340
43 Conglomerates (12)	1572.94	-0.2	9.90	4.48	11.79	5.37	1575.81	1573.03	1580.94	1152.53
45 Transport (13)	2391.68	-1.0	8.29	3.60	15.66	20.16	2415.19	2432.11	2426.13	1860.71
47 Telephone Networks (2)	1117.78	-0.1	10.50	4.20	12.38	0.00	1118.58	1111.17	1115.91	929.14
48 Miscellaneous (28)	1467.78	------	10.66	4.03	10.65	21.65	1468.41	1460.26	1461.20	1096.92
49 INDUSTRIAL GROUP (487)	1126.27	-0.4	9.72	3.90	12.78	10.45	1130.95	1129.22	1135.94	920.50
51 Oil & Gas (13)	1988.68	-0.5	9.95	5.59	12.93	41.99	1999.21	1998.37	2005.96	1808.43
59 500 SHARE INDEX (500)	1199.76	-0.4	9.75	4.11	12.73	13.02	1204.92	1203.24	1210.08	995.39
61 FINANCIAL GROUP (123)	752.87	+0.3	-	5.13	-	14.74	749.71	746.04	747.64	661.95
62 Banks (8)	754.01	+0.9	23.70	6.34	5.54	21.71	746.97	736.53	737.77	621.57
65 Insurance (Life) (8)	1067.38	------	-	5.59	-	29.86	1067.48	1069.81	1074.96	968.94
66 Insurance (Composite) (7)	597.48	+0.3	-	5.74	-	13.65	595.59	595.05	594.82	531.44
67 Insurance (Brokers) (7)	965.77	+0.8	8.29	6.53	16.14	27.06	957.87	956.44	947.66	905.58
68 Merchant Banks (11)	334.37	------	-	4.51	-	3.70	334.30	334.20	332.04	337.50
69 Property (52)	1325.12	-0.3	5.91	2.73	21.48	6.77	1328.76	1327.72	1337.59	1143.96
70 Other Financial (30)	374.29	------	9.83	5.61	12.85	4.03	374.20	373.27	372.17	377.32
71 Investment Trusts (72)	1143.07	------	-	2.78	-	8.37	1143.10	1138.97	1137.95	854.11
81 Mining Finance (2)	653.73	-0.9	9.49	3.89	11.73	10.45	659.90	660.86	660.86	471.65
91 Overseas Traders (8)	1355.74	-0.5	10.30	5.20	11.21	30.41	1363.09	1361.53	1377.51	1017.71
99 ALL-SHARE INDEX (705)	1090.61	-0.3	-	4.23	-	13.35	1094.05	1091.94	1097.29	987.13

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 9	May 8	May 5	May 4	May 3	Year ago
FT-SE 100 SHARE INDEX‡	2117.0	-8.1	2123.1	2112.1	2125.1	2119.6	2132.8	2119.8	2185.7	1756.8

FIXED INTEREST

PRICE INDICES	Wed May 10	Day's change %	Tue May 9	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	117.87	+0.05	117.81	-	4.41
2 5-15 years	133.20	+0.06	133.11	-	4.62
3 Over 15 years	144.40	+0.03	144.36	-	5.92
4 Irredeemables	167.40	+0.02	167.36	-	6.10
5 All stocks	130.94	+0.05	130.87	-	4.78
Index-Linked					
6 5 years	133.95	------	133.95	-	1.36
7 Over 5 years	133.53	+0.06	133.45	-	1.28
8 All stocks	133.43	+0.06	133.36	-	1.27
9 Debentures & Loans	115.16	+0.01	115.15	-	3.80
10 Preference	89.08	+0.14	88.96	-	2.05

AVERAGE GROSS REDEMPTION YIELDS		Wed May 10	Tue May 9	Year ago (approx.)
British Government				
1 Low	5 years	9.69	9.68	8.83
2 Coupons	15 years	9.26	9.26	9.19
3	25 years	9.07	9.08	9.05
4 Medium	5 years	10.72	10.74	9.27
5 Coupons	15 years	9.70	9.70	9.41
6	25 years	9.26	9.25	9.21
7 High	5 years	10.84	10.85	9.37
8 Coupons	15 years	9.91	9.91	9.56
9	25 years	9.43	9.43	9.27
10 Irredeemables†		9.07	9.07	9.04
Index-Linked				
11 Inflation rate 5%	5yrs.	3.55	3.54	2.62
12 Inflation rate 5%	Over 5 yrs.	3.58	3.59	3.78
13 Inflation rate 10%	5 yrs.	2.65	2.63	1.71
14 Inflation rate 10%	Over 5 yrs.	3.42	3.42	3.62
15 Debs &	5 years	12.27	12.27	10.33
16 Loans	15 years	11.55	11.55	10.64
17	25 years	11.10	11.10	10.69
18 Preference†		10.19	10.21	9.67

‡Opening index 2121.3; 10 am 2121.0; 11 am 2120.1; Noon 2118.1; 1 pm 2113.6; 2 pm 2114.4; 3 pm 2114.8; 4 pm 2114.4; 4.05 pm 2114.6 (a) 9.12am (b) 3.13pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	22	29
Corporations, Dominion and Foreign Bonds	14	2	28
Industrials	308	441	825
Financial and Properties	115	147	396
Oils	25	29	43
Plantations	2	0	10
Mines	22	53	103
Others	65	85	105
Totals	607	779	1,539

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§57	F.P.	-	71	60	‡Amberley Group 2½p	63		b1.5	3.4	3.2	11.6
§100	F.P.	-	123	108	◆Boxmore Intl. 10p	123	+2	a5.2	1.9	5.6	11.9
†	F.P.	-	35	29	◆CCS Group 20p	30		L0.45	1.6	2.0	42.5
‡	F.P.	-	6350	6100	CMB Packaging SA FFr15	6300		W-	-	-	15.0
‡	F.P.	-	6100	5700	Do (⅓ '89 Div Reg) FFr15	6000	-25	-	-	-	-
§50	F.P.	-	54	47	CST Emerging Asia Tst 10p	52		-	-	-	-
-	F.P.	-	29	8	Do. Warrants	26	-2	-	-	-	-
§100	F.P.	-	128	113	◆Capita Group	128	+2	u2.5	2.2	2.6	19.2
85	F.P.	-	96	84	◆Diamond Group Hldgs 5p	91	-2	L1.13	4.7	1.6	17.3
‡	F.P.	-	110	78	Ex-Lands 10p	91xr	+5	0.5	-	0.7	-
‡	F.P.	-	101	61	Do. Wrts	70		-	-	-	-
□100	F.P	19/5	113	100	Fleming High Inc. Inv	113		b5.25	-	6.2	-
50	F.P.	-	53½	52	Gartmore Value Invs. 10p	53½	+½	N3.79	-	9.4	-
50	F.P.	-	51½	50½	Do. Zero Div. Prf. 10p	50½		-	-	-	-
§100	F.P.	-	123	115	◆Green (J.)	118		12.9	2.9	3.3	14.1
§175	F.P.	-	178	173	◆Iber Hldgs. 10p	177	+1	13.6	2.7	2.7	16.2
‡	F.P.	-	211	198	MB Group	207	-1	W-	-	-	10.5
§47	F.P.	-	49	40	◆Malaya Group 10p	46		b2.0	3.7	5.8	6.3
†	F.P.	-	500	470	Mid Kent Hldgs. £1	470xr	-10	6.0	-	1.7	-
†	F.P.	-	107	50	Do. Warrants £1	107		-	-	-	-
§58	F.P.	-	66	56	◆Miskin Group 20p	63		Wd1.38	4.5	2.9	8.7
††	F.P.	-	108	95	◆OIS Group	108		-	-	-	-
§100	F.P.	-	107	100	Olim Conv. Tst	107		N7.5	-	9.3	-
§100	F.P.	-	101	99½	Do. Zero Coupon Prf.	100		-	-	-	-
§100	F.P.	-	108	100½	◆Porth Group 5p	106	+3	R4.5	1.8	5.7	11.6
†	F.P.	-	300	200	◆Property Co of London 50p	260	-15	-	-	-	-
-	F.P.	-	178	171	◆Quarto (Restd Trans) 10c	175	+2	6.0	-	4.6	-
§52	F.P.	19/4	78	52	◆Quiligotti 5p	68	+1	R2.0	2.4	3.9	12.0
§125	F.P.	-	147	136	Servomex 5p	146	-1	L4.7	1.9	4.3	12.1
125	F.P.	12/5	136	125	Try Group	130		L5.0	2.1	5.1	12.5
§185	F.P.	-	218	195	Wood (Graham)	218		R7.7	2.6	4.7	8.1
§Ir48	F.P.	-	89	73	◆Xtra-Vision Ir5p	73		u023.9	2.5	1.4	30.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
106.46	F.P.	-	109	105¼	Brit. Assets Tst. Ind-Linked 2005	108½	-½
100	Nil	6/6	3pm	2pm	Dwyer 7.25pc Cnv. Cum. Red Prf.	2½pm	+½
‡	Nil	9/5	7pm	1½pm	Guidehouse 8.5p(net) Cv Pf 2006	1¼pm	
100p	F.P.	4/5	101p	90p	Hambros 7½pc (Net) Cum Cnv Red Prf	99p	
-	F.P.	-	100	99¼	N'wide Anglia 12⅞pc 19.3.90	99⅜	+⅛
-	F.P.	-	100¼	99⅞	Do. 13⅛pc 23.4.90	100⅛	+⅛
§99.1	£25	-	28½	25	Do. 4.25pc Index-Linked 2024	27⅞	
-	F.P.	-	100	99⅞	Do. 13pc Bds 14.5.90	99⅞	-⅛

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
Ir72	Nil	3/5	10pm	5½pm	Anglo Irish Bank	6¾pm	+¼
9	Nil	-	3½pm	1½pm	Bear Brand	2½pm	-¼
10	Nil	-	8pm	5pm	◆Clogau Gold Mines 10p	7½pm	+½
26	Nil	-	31pm	16pm	Creston 10p	18pm	-2
275	Nil	15/6	84pm	47pm	EIS Group	79pm	
17	Nil	-	98pm	60pm	Ex-Lands 10p	71pm	+3
45	Nil	-	12pm	10pm	Gardiner Group 5p	11pm	
b58	Nil	-	16pm	13pm	Heiton Hldgs	14pm	
265	Nil	10/5	44pm	38pm	McLaughlin & Harvey	41pm	
65	Nil	-	8pm	5pm	Oceana Cons.	8pm	+1
88	Nil	-	12pm	8pm	Porter Chadburn 5p	10pm	+2
500	Nil	-	188pm	105pm	Securicor Group A (NV)	188pm	+1
450	Nil	-	113pm	75pm	Security Services	113pm	+5

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other official estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ◆ Issued in connection with reorganisation merger or takeover. ¶ Allotment price. ✱ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. ° Third Market.

TRADITIONAL OPTIONS

- First Dealings Apr 24
- Last Dealings May 12
- Last Declarations Jul 27
- For settlement Aug 7

For rate indications see end of London Share Service

Calls in Medirace, Burton, Laird, Bula, Tuskar, Kenmare, Ex Co Louis, Devenish, Clogau, Armstrong Elect, Control Secs, Mecca, Lister, Bus Tech, Arabex, Imtech, Bryant, Wms J Cardiff, Eagle Trst, Stakis.

BRITISH STEEL accounted for almost one fifth of dealings on the London Traded Options Market yesterday, even though the underlying price of the stock ended unchanged on the day at 87p.

Overall market business reached the modest total of 29,453 contracts — continuing to run along the slack line set up in recent days — and comprising 18,550 calls and 10,903 puts.

Trading in the FT-SE 100 index showed a slight recovery over the previous day's level, to reach 5,535 contracts, made up of 3,394 calls and 2,141 puts.

The British Steel business saw 2,000 contracts traded in the October 90 puts, and 1,510 in the July 90 puts.

There was also interest in the July 90 and 100 calls, as well as the October 90s.

Sears saw trading of 1,551 contracts, consisting of 524 calls and 1,027 puts, as the underlying share price gained 1p to 118p. Business in the option on the stock attracted dealings in the June and September 120 calls, the September 130 calls, and the September and December 130 puts.

Trading in the FT-SE 100 index amounted to 5,535 contracts, comprising 3,394 calls and 2,141 puts, as the index lost 8.1 points on the day to 2,117.

Trusthouse Forte found 1,778 contracts, made up of 1,276 calls and 502 puts, with most attention centred on the June and September 300 calls and September 280 puts.

British Petroleum found 1,188 contracts, comprising 1,138 calls and only 50 puts, with concentration of dealings in the October 280 and 300 calls.

British Gas saw business of 706 contracts, made up of 700 calls and 6 puts. The dealings were split among three series — the June 180 calls attracting 250 contracts, the September 180 calls (450) and the September 180 puts (six).

The most heavily traded series in index dealings was the August 2,250 call.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*455)	420	39	55	63	6	12	15
	460	15	32	40	24	30	31
	500	4½	15	21	57	58	60
Brit. Airways (*202)	180	25	30	34	2½	5	9
	200	9½	7	22	10	14	16
	220	3	9	13	25	27	28
Brit Com (*213)	200	18	26	30	7	9	12
	220	7	15	19	16	18	22
	240	2	8	-	34	34	-
Beecham (*619)	550	75	97	110	8	13	17
	600	40	64	78	22	28	33
	650	16	38	53	50	55	60
Boots (*290)	280	18	29	34	10	13	16
	300	8½	18	24	21	22	24
B.P. (*278)	260	23	29	35	3½	7½	9
	280	11	18	24½	11	14½	17
British Steel (*87)	80	8¼	10¼	14½	4	5	7½
	90	2½	5¼	9	11	12	13
	100	½	2¼	5	19½	19½	20
Bass (*951)	900	77	107	120	15	23	35
	950	45	75	87	35	42	52
	1000	22	50	-	65	70	-
C & Wire (*518)	500	38	59	72	16	21	25
	550	14	31	43	43	48	53
Cons. Gold (*1310)	1250	120	155	170	45	65	85
	1300	95	125	145	65	95	110
	1350	75	95	120	90	125	145
Courtaulds (*323)	300	27	37	44	7	11	14
	330	8	20	27	21	24	26
	360	3	9	-	49	50	-
Com. Union (*384)	360	39	46	56	5	12	14
	390	16	28	38	14	24	26
	420	6	14	-	40	44	-
G.K.N. (*385)	330	65	72	81	1½	5	6
	360	39	47	59	6	12	13
	390	20	30	41	18	23	24
Grand Met. (*578)	500	91	100	115	1½	6	8
	550	48	62	80	9	17	22
	600	19	33	51	30	40	57
I.C.I. (*1219)	1150	110	130	163	12	25	33
	1200	72	96	132	25	43	47
	1250	43	69	104	62	67	72
Jaguar (*294)	280	28	32	43	5	13	14
	300	13	22	23	15	20	26
Kingfisher (*310)	260	51	54	63	2	4	5
	280	31	38	47	5	8	10
	300	20	26	33	12	17	18
Ladbroke (*580)	500	81	102	108	2½	7	11
	550	42	62	76	12	19	24
	600	17	33	47	38	43	48
Land Secur (*579)	550	40	60	72	11	14	17
	600	13	30	42	37	48	42
M & S (*177)	160	18	25	29	3	5	6½
	180	5	11	16	11	12	13
STC (*330)	300	42	53	64	3	8	10
	330	22	33	42	13	18	21
	360	12	18	28	34	36	38
Sainsbury (*236)	220	20	28	35	2	5	6
	240	8	16	22	11	12	14
Shell Trans. (*397)	360	-	56	64	-	5	7
	390	22	31	43	8	14	17
	420	9	15	26	26	32	33
Storehouse (*168)	140	32	33	38	2	4	6
	160	16	19	24	7	10	15
	180	7	11	15	23	25	27
Trafalgar (*379)	360	22	37	42	12	18	22
	390	9	17	22	32	34	36
Utd.Biscuits (*320)	300	22	36	42	6½	11	12
	330	8	19	25	24	26	27
	360	3	9	15	52	53	53
Unilever (*560)	500	74	92	105	2	5	7½
	550	36	52	67	13	17	22
	600	12	27	40	43	44	48
Ultramar (*312)	280	44	54	66	3½	7	9
	300	30	40	52	8	12	16
	330	12	22	34	23	28	30

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*615)	500	117	130	142	½	3	9
	550	67	88	102	1	8	19
	600	20	52	69	4	24	31
BAA (*347)	330	18	34	51	1	9	15
	360	4	13	30	15	25	30
	390	1	7	16	44	48	51
BAT Inds (*543)	500	44	63	78	1	6½	14
	550	4	30	46	12	24	32
	600	1	11½	26	58	61	65
BTR (*379)	330	50	59	67	¼	1½	5
	360	20	35	45	1	6	12
	390	2½	17	27	14	18	24
Brit. Telecom (*269)	260	9½	18	25	1	7	8½
	280	1½	7½	15	12	17	20
	300	1	3	8	32	37	37
Cadbury Sch (*354)	330	25	41	51	½	5	8
	360	3½	19	32	9	15	20
	390	1	8	16	38	39	40
Guinness (*479)	420	60	76	88	1	4	8
	460	21	44	58	2	12	18
	500	2	23	36	24	32	36
GEC (*236)	220	-	25	32	-	4½	7
	240	-	12	19	-	13	16
	260	-	4½	9	-	29	29
Hanson (*194)	160	34	36	-	½	1	-
	180	14	18½	26	1	3	5
	200	1½	7	14½	7	11½	13½
LASMO (*462)	441	24	50	67	1½	16	23
	479	4½	29	45	21	36	42
	527	1½	-	-	68	-	-
P. & O. (*673)	600	77	97	-	2	4	-
	650	27	60	72	1½	17	27
	700	3	32	47	30	42	50
Pilkington (*238)	220	19	23	32	1	7	9
	240	4	11	21	7	17	19
	260	1	6	13	24	31	32
Plessey (*263)	240	24	30	37	1	4	6
	260	7	17	24	4	10½	12
	280	1½	7	11	18	23	25
Prudential (*181)	160	22	27	32	1	3	5
	180	3	12	16	3	6	11
	200	1	5	8	20	21	23
Racal (*466)	420	47	60	81	1	7	14
	460	12	34	53	5½	21	27
	500	2	16	33	37	43	48
R.T.Z. (*525)	460	68	83	-	1	4	-
	500	29	50	65	2	12	16
	550	2	22	37	30	33	38
Scot. & New (*295)	280	17	32	42	1½	12	16
	300	3	20	30	8	24	29
Tesco (*167)	160	9	17	21	1	5	7
	180	1½	6	10	14	15	16

Option		Calls Jul	Calls Sep	Calls Nov	Puts Jul	Puts Sep	Puts Nov
ASDA Grp. (*166)	160	16	18	22	5	8	11
	180	7	10	13	17	20	21
Gateway (*195)	180	22	25	25	3	6	8
	200	10	12	14	11	15	17

Option		Calls May	Calls Sep	Calls Dec	Puts May	Puts Sep	Puts Dec
Vaal Reefs (*$76)	70	6	12	13	½	3½	5
	80	1¼	6	7	7	9	10

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Amstrad (*109)	100	13	18	21	3	5	7
	110	7½	13	17	6½	8	11
	120	4	8½	12	13	15	17
Barclays (*464)	420	52	62	70	2½	6	8
	460	17	34	42	11	18	22
	500	3	13	-	40	44	-
Blue Circle (*555)	500	62	82	94	3	10	13
	550	26	46	60	17	26	30
	600	7	22	36	49	56	59
British Gas (*179)	160	22	24½	26	½	2¼	3½
	180	6	9	13½	5	10½	11½
	200	¼	2¼	6	22	23	25
Dixons (*136)	120	20	24	-	2	4	-
	130	12½	16	-	5	8	-
	140	7	11½	18	8½	15	16
Glaxo (*1346)	1300	82	135	160	15	32	42
	1350	50	104	127	31	52	62
	1400	27	77	100	62	77	85
Hawker Sidd. (*710)	650	65	94	102	9	22	23
	700	27	57	72	27	40	42
	750	10	33	45	63	68	69
Hillsdown (*273)	260	16	28	36	5	9	9
	280	7	17	24	17	19	20
	300	2½	8	14	36	37	38
Lonrho (*270)	257	22	32	42	6	12	15
	283	9	21	27	19	25	29
	309	3	10	18	43	47	51
Midland Bk (*345)	329	24	32	44	5	13	14
	357	8	16	-	17	26	-
R Royce (*191)	160	33	41	42	1	1½	3
	180	16	24	38	3	5½	8
	200	4½	11½	15	11	14	15
Sears (*118)	110	8½	13½	18	2	4	5
	120	3	8	11½	8	9	11
	130	1½	4	8	17	18	19
THF (*312)	280	36½	46	55	2	5½	7½
	300	21	31	41	5½	12	14
	330	7	16½	24	23	27	29
Thorn EMI (*699)	650	62	65	85	4	10	14
	700	22	33	52	16	29	34
TSB (*110)	100	12	15	18	1	2	3
	110	4½	7½	10½	4	5	6
Wellcome (*477)	460	32	53	67	10	19	24
	500	12	30	43	32	38	42
	550	4	-	-	77	-	-

FT-SE INDEX (*2115)

	Calls May	Calls Jun	Calls Jul	Calls Aug	Puts May	Puts Jun	Puts Jul	Puts Aug
1900	228	245	263	-	1	3	5½	-
1950	179	197	216	230	2	5	9	12
2000	130	150	172	187	3	9	15	20
2050	82	107	130	147	6½	17	23	31
2100	42	70	94	112	20	32	40	48
2150	20	42	63	82	47	58	65	70
2200	6½	24	42	60	88	93	96	101
2250	2½	12	25	40	138	138	139	140

May 10 Total Contracts 29,453
Calls 18,550 Puts 10,903
FT-SE Index Calls 3394 Puts 2141
*Underlying security price.

Troubled shock absorbers division sold to US group

Armstrong makes £58m disposal

By Clare Pearson

TENNECO, the US diversified industrial group, is paying £58m cash to acquire the shock absorbers division of Armstrong Equipment, where the residual businesses are in industrial fasteners and engineering.

Tenneco's move, and the price it was prepared to pay, were being seen yesterday as underlining the strategic attractions of a British base to the big international companies in the motor components business.

The division is the main independent supplier of shock absorbers to the UK original equipment market.

Troubles at the division were central to a failed £80m takeover bid for the whole company launched by Wardle Storeys, the survival equipment and plastic sheeting concern, last year after Armstrong announced pre-tax profits down from £7.7m to £7.1m.

The division, operating in Yorkshire and also Spain, made trading profits of £1.2m on £50.4m sales in the year to end-July 1988. But for the current year Armstrong has forecast profits will rise to £4m, as an effect of corrective action taken at the troubled main factory in York. Net assets are about £17.5m.

The announcement of the deal, with which Armstrong has shed about 40 per cent of its business and is left with between £40m and £45m net cash, left its shares 3p higher at 163p.

The shares had already risen by about 25 per cent over the last month on a renewed flurry of takeover speculation, focussing in part on the strategic attractions of the suspension division.

Monroe Auto Equipment, the Tenneco division of which Armstrong's business will become part, said the acquisition would strengthen its business with both original equipment and replacement market customers, and help its positioning ahead of the establishment of the European single market. It already has operations on the Continent.

Armstrong said that with the multinational vehicle manufacturers now requiring their suppliers to provide a wider-ranging and more global service, it would have become increasingly difficult for the division to remain competitive on its own.

Mr John Pratt, finance director, said the sale meant the company would be in a much stronger position to make acquisitions to add to the remaining divisions. He admitted that with so much cash in the bank it might become vulnerable to a renewed bid attempt if it did not move quickly.

Armstrong's residual businesses in industrial fasteners and metal fabrications, which include a successful division in Spain, also make a high proportion of their sales to the motor industry. In addition, there is a much smaller general engineering division.

Caparo Group, part of Caparo Industries, which owns a 15.8 per cent stake in Armstrong and supported it during the Wardle Storeys bid, said it was "extremely pleased" about the disposal.

Revaluation helps RIT assets jump 27%

By Nikki Tait

SIR JAMES Goldsmith's much-hyped return to the UK takeover trail, plus a revaluation of certain timber lands within his group, has helped produce a 27 per cent rise in net asset value at RIT Capital Partners during the eight months to March 31.

RIT Capital Partners is the investment trust spun off from J Rothschild Holdings last year.

The NAV figure at the end of March stood at 134.2p a share, compared with 107p at September 30, and 105.8p when the trust was launched in July. This compares with a rise of 11.5 per cent in the FT-All Share Index over the same eight-month period and 11.8 per cent in the Morgan Stanley Capital International World Index.

When Sir James announced his planned return to the UK scene in conjunction with Mr Jacob Rothschild in March, his General Oriental Investments group acquired a 37.4 per cent interest in Anglo Leasing, a medium-sized quoted leasing company.

The shares came from RIT Capital Partners and J Rothschild Holdings, the other quoted vehicle in the Rothschild stable from which RIT was demerged.

The deal meant that RIT halved its 49.9 per cent stake in Anglo. However, with Anglo becoming the vehicle through which Sir James plans to conduct his forays into the UK corporate scene, its shares rocketed, producing a sharp revaluation of RIT's remaining stake.

At March 31, its Anglo holding was worth £36.9m – accounting for about one-tenth of the company's total net assets, valued at £344.3m.

Sir James has also been a second factor in the RIT asset uplift. When RIT was demerged from JRH, the investment trust took an option over JRH's 13.7 per cent interest in Cavenham Forest Industries. CFI takes in the timber lands which were formerly part of Crown Zellerbach, a US forest products group acquired by Sir James.

The option was orginally valued at £1, but "as a result of changes in market conditions", RIT has now increased the valuation to £15m. Yesterday, it said that this was largely due to a revaluation of the timber lands carried out by Sir James' General Oriental Investments in September and to improved conditions in the industry generally. It maintained that the £1 figure had seemed "a reasonable assumption at the time".

RIT said yesterday that the uplift in NAV without the Anglo benefit, would have been around 21 per cent, and without both this and the option revaluation, around 15 per cent.

However, the company has also fared well out of Eurotunnel, where a holding was acquired for £13.2m. It sold around half its position when the shares rose significantly during the year and valued the remaining interest at £17.5m at the year-end.

RIT also highlights a $18m (£10.79m) investment in GPA Group, the aircraft leasing company, made at $250 a share in April 1988 but revalued to $285 in the wake of a number of transactions around this level in December. However, on the reverse side, the trust was obliged to write off a £2.5m investment in The Post, Eddy Shah's abortive new national newspaper.

In the eight-month period to end-March, the trust made a pre-tax profit of £6.7m, and is paying a larger than predicted dividend of 1.65p a share. At March 31, around 56 per cent of the portfolio was in quoted equities, 19 per cent in unquoteds, 7 per cent in property and 18 per cent in fixed interest stocks. Currency exposure was 68 per cent sterling and 20 per cent US dollars.

Berisford to reorganise UK property

By Clare Pearson

BERISFORD International, the sugar processing and commodities group, is to reorganise its UK property division following the resignation of Mr Melvyn Ansher, announced yesterday along with the departure of another main board director.

Announcements of the changes emerged late yesterday after news that Mr Larry Goodman, chairman of the Irish meat processing group Goodman International, had lifted his stake from 7.4 to 9.02 per cent.

Mr Cyril Dennis, formerly a divisional director of Charles Church, the housebuilder that is poised to go private, is to take control of the property division, which internationally accounted for one quarter of profits last year, and there will also be a joint venture company in which Mr Dennis will have a 20 per cent stake.

Property activities have become increasingly significant within the Berisford group through restructuring moves over the last few years.

Mr Barry O'Connor, head of corporate affairs, yesterday said the parting with Mr Ansher, 44, who he said had been with the company for about nine years, was "perfectly amicable".

Mr Thomas Edwards, the other director who is leaving, was in charge of commodities trading on New York.

The chief asset of the UK property division is Midland Montagu House in the City of London, which Berisford partially floated off through an issue of preferred shares in 1986. Last year, Berisford failed in an attempt to buy back all the shares in the listed vehicle, Billingsgate City Securities.

Mr Goodman's move puzzled the stockmarket yesterday as it had recently been rumoured that he was reducing his holding in Berisford, perhaps to concentrate on Unigate, where he has 8.3 per cent holding and which appears to fit more logically with his own businesses.

Yesterday Mr O'Connor said there had been no recent boardroom contact with Mr Goodman.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Associated Paper, BOC, Grand Metropolitan

Finals- King & Shaxson, London Atlantic Inv, MIL Research, Sealleld, UEI, Warnford Invs, Yorklyde.

FUTURE DATES

Interims-	
Bank of Nova Scotia	May 30
Compass	May 22
Lonrho	May 19
Priest Marians	May 18
Finals-	
Downiebrae	May 23
Imry Merchant Developers	June 1
Normans	June 5
Saltire Ins Investments	May 18
Walker Greenbank	May 19

Walter Runciman up slightly on forecasts with £4.1m

By John Ridding

WALTER RUNCIMAN, the shipping, security and insurance group which fought off a bid from Telfos Holdings last year, yesterday announced taxable profits of £4.1m for 1988, an increase of 37 per cent over 1987 and slightly ahead of forecasts made during the bid battle.

Turnover fell from £37.7m to £32.7m reflecting the disposal of Tann-Synchronome, its electronic security business.

Earnings per share rose 24 per cent to 29.4p and a final dividend of 6p is proposed giving a total of 10.5p (6.5p).

The principal factor in the improvement was the transport division, where profits more than doubled to £2.9m on turnover up from £13.3m to £16.7m.

This was achieved despite a rate war on a subsidiary's North Sea service and reflects increased rates and revenues from the Unigas consortium which, together with a Norwegian consortium, dominates the market for small shipments of LNG.

The freight shipping business, which the group intends to expand, also experienced a strong improvement.

Reduced profits were, however recorded in both the insurance and security divisions as a result of disposals. In insurance, this represented the sale of Philip N. Christie in exchange for a minority stake in Charman Group.

Mr Runciman said that given Lloyds' three year accounting rule, the full benefits would not come through until the early 1990s.

● COMMENT

Having repelled Telfos's attempted boarding, Runciman achieved a result at the top end of expectations and is on a steady course for the current year. Significant additional boosts will be provided by the resolution of the rates war - which should add a six figure number to profits - and by the arrival at end of this month of the company's biggest ship. The MV Teviot will increase potential earnings by 30 per cent and the market it serves is expected to remain firm. On the downside, insurance earnings are likely to slip following the change in investments but this will not prevent pre-tax profits increasing to about £5.2m. The prospective multiple of 10 which this implies seems fair even without the fact that Telfos retains almost 30 per cent of the shares and may feel tempted to relaunch its bid after August. But with shares now at 376p compared with Telfos's cash offer of 329p investors probably feel justified in their rejection and may take some persuading to think again.

Lowndes Queensway turns in £9.1m but sales have slowed

By David Waller

LOWNDES QUEENSWAY, the furniture and carpets company formed when a consortium of investors headed by Mr Jimmy Gulliver took over Harris Queensway last summer, yesterday joined other "big-ticket" retailers like Magnet and MFI in reporting difficult market conditions.

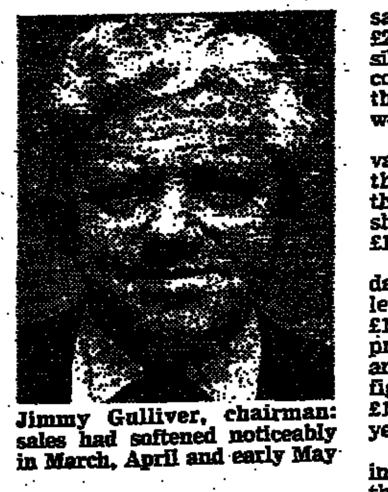
Speaking as the company announced pre-tax profits of £9.1m for the 26 weeks to the end of January, Mr Gulliver said that like-for-like sales in volume terms had begun to falter over recent weeks.

Sales for the whole of the year to date were up in aggregate over the comparable months in 1988, but had softened noticeably in March, April and the beginning of May.

The Scottish retailer said he was hopeful that the economic climate would soon become more favourable to retailers now that it was obvious that high interest rates were indeed curbing consumer expenditure. More specifically, he thought that interest rates would have to start coming down in the Autumn.

The group excluded any contribution from Poundstretcher and Hamleys, businesses sold since the takeover. On that basis, turnover for the period to the end of January was £221.2m, divided 60/40 between furniture and carpets.

As these are the first results from Lowndes Queensway, there were no comparable figures. Nevertheless, like-for-like sales growth over the prior period was 5 per cent and 6 per cent for each of the two divisions.



Jimmy Gulliver, chairman: sales had softened noticeably in March, April and early May

Of £15.5m in operating profits, £5.7m came from furniture and £9.8m from carpets. The interest bill amounted to £6.4m and there were no property profits. Earnings per share worked out at 2.61p, and there will be a final dividend of 1.6p per share.

The profit on the sale of the two subsidiaries and the revaluation of properties bolstered the balance sheet by £80m, all but covering fair value accounting adjustments which totalled £78m, including reorganisation costs of £29m.

Of the £78m, £22m related to accounting changes to reflect more conservative reporting of sales and profits; a further £22m is designed to cover possible bad debts and litigation costs inherited at the time of the takeover. Assets of £5m were written off as well.

The net effect of the fair value changes set off against the disposal profits was that goodwill in the balance sheet increased by £2m to £116m.

Taking into account yesterday's £22m disposal of Hamley's, borrowings stand at £150m: a sale and leaseback programme was under way and it was possible that the figure would come down to £100m by the end of the year.

Mr Gulliver said that should interest rates actually go up, the impact on the group's interest bill would be strictly limited because of a swaps and hedging programme.

In spite of having borrowings of £150m, Mr Bryan Portman, corporate finance director, indicated that each extra percentage point on base rate would increase interest payable by only £200,000; so far the programme had saved the group £2m.

Meanwhile, the management team claimed that the strategy set out at the time of the acquisition had been validated and continued to be implemented vigorously, with new top management in place, a new stores format being tested and a host of other measures under way.

The shares added ½p to close at 42½p.

See Lex

Big bang in bible belt brings 5% decline in CU first-quarter profits

By Nick Bunker

A CHEMICAL toilet which blew up and caused a fire that swept through a Protestant church in middle America was the most embarrassing of a clutch of large claims that hit Commercial Union in March.

The building was one of three CU-insured churches in the US which burned down this winter, helping produce an unexpectedly severe underwriting loss in its US property/casualty operations.

Partly as a result, there was a five per cent drop in the group's worldwide first-quarter pre-tax profits to £45.1m (£47.5m).

The decline came as further confirmation of the impact of a cyclical insurance price-war in the US which is now feeding its way through to actual reductions in the composite sector's bottom-line results.

However, with CU's US premiums up only 1.4 per cent at $289m in the three months to March 30, the evidence is that it is letting itself lose market share instead of taking on risks at unprofitable prices.

Mr Tony Wyand, general manager (finance and investments), again voiced the group's view that "we don't expect this downturn to be particularly severe, compared to the down-cycle in 1982-85".

In the UK, CU was hit by two abnormal claims, both running into seven figures, arising from the Peterborough lorry explosion and a pile-up of vehicles on the M6 motorway.

It continues to make pure underwriting profits from its UK non-life operations though, since insurers are still benefiting from price increases, with only a few signs so far of serious rate-cutting.

Worldwide, premium income was up 6 per cent at £901.8m, while underwriting losses grew 27.5 per cent to £40.3m. Investment income was up 10.6 per cent at £59.5m. Earnings per share declined nine per cent from 6.7p to 6.1p.

● COMMENT

So jaded are stock market connoisseurs of composite insurance these days, as the UK and US cycles grind wearily forward, that only the exploding thunder-box enlivened analysts' question-time yesterday. Doubtless Mr Wyand would rather have expostulated on the absurdities of Proposition 103, the Californian voters' insurance rate-cutting measure: but since that particular state makes up less than five per cent of CU's US premiums, the matter verges on being a non-issue for a group inured to decades of regulatory red-tape in its home territory of Massachusetts. Since group pre-tax profits were much as expected, the shares closed unchanged at 383p. At about 1.2 times net assets, this looks pretty fair, given that Allianz and the rest of the European insurance pack still show no signs of wanting to salvage the reputation of teenage scribblers in the City who foolishly predicted pre-1992 mega-bids for the composites. There could be problems for CU in 1990-91, if a stormy winter in the UK coincided with poor results in the US, to undermine dividend growth: but on a prospective gross yield of about 7.5 per cent, assuming 1989 pre-tax profits of £195m, the shares are trading only in the middle of their historic range against the market.

UK COMPANY NEWS

AIB advances 25% to I£155.7m

By David Barchard

ALLIED IRISH Banks yesterday reported pre-tax profits of I£155.7m, or £130.68m in sterling, for the year to March 31, up 25 per cent on the previous year.

The results were hailed as "a fairly sparkling performance" by Mr Gerry Scanlan, chief executive.

"We have done well right across all our areas of business and not just in the present very favourable Irish economic environment," he said.

However the pre-tax profit figure had been from its original £180.7m by an exceptional debit of £25m for employee restructuring.

There was no provision this year against Latin American debt (£9.5m), and Mr Scanlan said that only £1m of Latin American debt was now non-performing.

During the year the bank's total assets grew from £9.6bn to £14.7bn, an increase of 53 per cent. This reflected the bank's acquisition of a controlling stake in First Maryland Bancorp. With FMB's assets stripped out, the group's assets grew by 7 per cent.

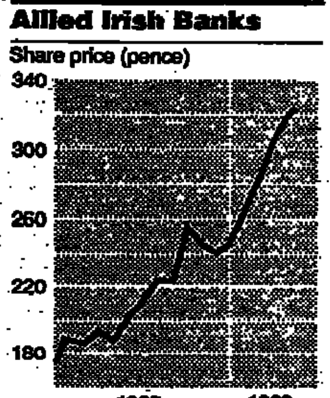
Deposits increased by 66 per cent, rising to £10.6bn (£6.4bn).

A maintained final dividend of 7p was recommended for a total of 12.75p (12.25p) although the cost of the Irish government's bank levy to shareholders rose to 6.1p (6p). Earnings per share were up 9 per cent to 35.3p (32.4p).

The return on average total assets was 0.9 per cent (0.82 per cent), while the return on average shareholders' funds was 15.2 per cent (13.6 per cent.)

Capital adequacy on the BIS basis was 8.8 (9.1) per cent overall and 4.4 (5.7) per cent for Tier 1 funds. Mr Scanlan said that AIB was planning to strengthen its ratios later this year with an issue of $200m preference, and a subsequent issue of £125m sterling in the UK.

Allied Irish Banks



● **COMMENT**

AIB can justly be pleased with these results which – even after a fairly large exceptional item – come out ahead of expectations in three very different markets, Ireland, the UK, and the US. The exceptional item of £25m will be money well spent if it enables AIB to overcome the recurrent problems of Irish banks with their militant workforces. For the foreseeable future, AIB's sights will be concentrated on growth in the British and American markets – and ultimately perhaps in continental Europe, where AIB appears to have ruled out the idea of seeking alliances and cross-holdings with institutions of a similar size elsewhere in the EC. This will have to be largely achieved through more acquisitions, like that of First Maryland. The bank's strategy must thus focus firmly on increasing profitability and retaining earnings to finance acquisitions. Prospects for dividend growth may therefore be rather less bright than the bank's recent track-record would suggest.

Shares in Tootal drop as Coats talks go on

By Alice Rawsthorn

COATS VIYELLA and Tootal, two of the UK's biggest textile groups, were locked in bid negotiations yesterday in an attempt to agree terms for a deal whereby Coats would acquire Tootal.

The Tootal board will discuss the outcome of the negotiations this morning when it gathers in London for its regular board meeting.

Tootal's shares fell by $3\frac{1}{2}$p to $132\frac{1}{2}$p yesterday, reflecting the City's concern over whether the two companies can agree terms and about Coats' ability to finance the bid. Analysts estimate that Coats would have to pay between 140p and 150p a share – or from £399m to £427m – to win control of Tootal. Coats' share price was static at 153p yesterday.

Coats, which is advised by NM Rothschild, has struck a deal with Mr Abraham Goldberg, the Australian industrialist who has been stalking *Tootal, to buy his 25 per cent* shareholding providing it can persuade Tootal to agree terms for a bid by midnight tonight. Tootal is advised by Morgan Grenfell.

If Coats misses the midnight deadline, Mr Goldberg would be free to bid for Tootal and Coats has agreed to sell its 5 per cent holding to him for cash should he stage a bid.

Gamblers good luck at London casino slows growth at Stakis

By David Waller

DIFFICULTIES at Stakis's London casino in Russell Square helped restrict the hotel and leisure company's profits growth in the first half of the year.

Pre-tax profits for the 26 weeks to April 2 advanced to £11.54m, compared with £9.57m for the 27 weeks period last time. Profits from the sale of properties increased from £1.01m to £1.17m.

Profits in the leisure division fell slightly, from £4.4m to £4.3m, reflecting the adverse impact of gamblers' good luck on the London casino: although the "drop" – the amount of money risked by punters – was up, margins actually fell.

Provincial casinos and other leisure activities did well, as did provincial hotels which account for the bulk of the hotel division's profits.

In this division, profits climbed from £4.89m to £7.74m, reflecting stable occupancy levels combined with achieved room rates up 13 per cent. Also included was a £1.8m gain on the sale of hotels in Edinburgh and Ayr.

The fledgling healthcare division, which will absorb much of the group's £50m capital expenditure programme this year, chipped in £311,000 to group profits.

Turnover for the group as a whole rose from £61.74m to £66.51m; earnings per share worked out at 3.4p against 2.76p.

Interest absorbed £1.5m (£328,000).

● **COMMENT**

Yesterday's interim figures from Stakis were at the lower end of expectations and the shares duly dropped by 6p to 105p. Part of the disappointment was due to the bad luck at the London casino. Located in Bloomsbury, this is not supposed to be exposed to the vagaries of "high roller" spending, and indeed the "drop" held up against the trend of its counterparts in Mayfair. Nevertheless, punters were luckier than usual, and margins suffered. For the group as a whole, property profits were also higher than expected. Despite these disappointments, brokers felt little reason to cut back their forecasts from £26m (excluding property) for the full year, implying 18 per cent growth in earnings. This puts the shares on a multiple of 13½, a near 20 per cent premium to the market. Now that the group has shed its financial services business and sorted out its erstwhile problems with management succession, this sort of premium rating seems fair.

Weak spark at TDS as losses hit £2m

By John Ridding

SHARES in TDS Circuits, the USM-quoted circuit board maker, yesterday plunged over 30 per cent, losing 18p to 38p, after a sharp decline into the red in the year to February 28.

Pre-tax losses totalled £1.97m compared with profits of £55,000 in the previous year. Turnover fell from £9.54m to £8.39m and losses per share of 16.39p compared with earnings last time of 0.39p. No dividend is proposed.

Stripping out exceptional items, the fall was less severe. An exceptional credit of £1m was received in 1988 representing an insurance claim for a serious fire in 1986 while this time accelerated depreciation of data processing equipment was taken as an exceptional loss of £283,000. Accounting for this gives an increase in pre-tax losses from £965,000 to £1.8m.

Mr John Whybrow, managing director, said that the losses were partly caused by a reorganisation programme undertaken by the new management installed in May last year.

Significant capital expenditure, in the region of £1.6m, was undertaken to modernise equipment and there were also dislocation costs associated with reorganising production and personnel to meet mid-year demand.

Mr Whybrow said that recovery from these problems was obstructed by a weakening in the computer equipment and defence markets towards the end of the year.

Because of the uncertainty of the markets, the company said it was not possible to be precise about the timing of a return to profitability.

However, Mr Whybrow said TDS was progressing along the learning curve of the new technology and that it was now positioned to address the right markets.

Reverse takeovers for Reliant

By Richard Tomkins, Midlands Correspondent

SHAREHOLDERS IN Reliant Motor, the USM-quoted manufacturer of three-wheeled cars, yesterday approved the company's transformation into a housebuilder through the reverse takeover of both the privately-owned Wiseoak Group and Belmont Homes.

The car company, now renamed Reliant, is paying £16.5m for the interlinked property developers by issuing 41.25m new Reliant shares to the vendors – nearly five times the 8.86m shares at present in issue.

At the same time it is raising £3.4m net of expenses through a placing and open offer of shares at 37p a share to provide working capital for the new group's expansion.

The takeover was engineered by Mr John Nash, Reliant's chairman. Two years earlier Mr Nash attempted to engineer a takeover of Wiseoak by the quoted Nash Industries, but he was defeated by fellow shareholders.

Mr Nash remains chairman of Reliant but will be joined by Wiseoak/Belmont directors Mr Chris Johnson and Mr Carl Turpin as executive deputy chairman and chief executive respectively.

Manufacture of the Reliant Rialto three-wheeler would continue as long as it remained profitable, and plans to launch the SS2 sports-car in the US would go ahead – though not late this year, as had been planned.

Reliant's manufacturing activities would be concentrated on a single site at Kettlebrook, near Tamworth, Staffs, but no redundancies were envisaged.

Viking Packaging

Viking Packaging has accepted the offer from Bowater Industries to the extent of 90.95 per cent and Bowater now has 94.63 per cent. The offer is unconditional and remains open. No MMC probe.

Most Millward holders opt for WPP earn-out terms

By Nikki Tait

SHAREHOLDERS IN Millward Brown, the market research company which is on the receiving end of an agreed bid from WPP, the advertising agency and marketing services group, have largely opted for the bidder's earn-out terms, rather than the straight cash alternative.

The bid's structure was innovatory in that it offered shareholders either 200p per share cash immediately, or 183p upfront plus up to a further 221p if Millward meets certain profit targets over the period to March 1994.

The 183p could be taken in any combination of cash, loan notes and, to an extent, convertible loan notes, while the latter payments are to be made half in shares and half in loan notes.

The cash alternative valued Millward at £14.1m and the earn-out at £28.4m.

In the event, shareholders speaking for 89.15 per cent of Millward have accepted WPP's offer.

Shareholders speaking for only 7.15 per cent of the company have taken the cash alternative.

The offer has now been declared unconditional and remains open for acceptance until further notice.

Braithwaite sale could raise £17m

By Andrew Hill

Braithwaite is to sell Godiva, the fire-fighting equipment subsidiary, as part of its strategy of concentrating on industrial services. The sale could raise as much as £17m.

British companies which could be interested include Simon Engineering – two-thirds of its manufacturing business is in access and fire-fighting equipment – and Chubb, the Racal subsidiary.

Godiva, which made £1.7m on sales of £12.5m in the 15 months to March, has about 5 per cent of the US market.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Allied Irish Bk ....fin	7♣†	-	7	12.75	12.25
Ambrose Inv Tst ....fin	8.73	July 13	8.03	13.41	12.41
Bibby (J) ....int	2.75	July 4	2.75	-	8.5
Chesterfield ....fin	10	July 7	9	16	14.5
City of Oxford ....fin	0.9375	June 29	-	1.925	-
External Inv ....fin	14	-	11	24	20
H'land Parts § ....fin	2†	Aug 4	-	3	-
Lowndes Queens ......fin	1.6	July 11	-	1.6	-
New Ireland ....fin	9.31♣	-	nil	9.31	nil
RIT Capital ....int	1.65※	July 3	-	1.65	-
Runciman (W) ....fin	6	July 3	3.5	10.5	6.5
Stakis ....int	0.71†	Sept 4	0.62	-	1.95
Stylo ....fin	7	Oct 2	5	7	5
Triefus ....fin	1	-	2.5	3	3

DDividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ※For eight months. ♣Irish currency

Highland Parts vaults to £4.4m

By Philip Coggan

Highland Participants, the property and ship repair company run by Mr Peter de Savary, yesterday reported pre-tax profits of £4.42m in 1988.

This compares with the £753,000 made in 1987, a figure adjusted to allow for the merger with Smiths Shiprepairers North Shields.

Operating profit was £4.34m (£553,000) on turnover of £60.45m (£22.66m). Investment income was £1.17m (£108,000) and interest payable was £932,000 (£111,000). Earnings per share were 13.2p (3.6p).

The final dividend is 2p (nil), making a total of 3p (nil).

UK COMPANY NEWS

Rising woodpulp prices hold J Bibby to £15.9m

By Clare Pearson

RAPIDLY rising woodpulp prices hit results of J Bibby & Sons, agricultural and industrial conglomerate which is 86.5 per cent owned by Barlow Rand of South Africa, in the six months to April 1.

Pre-tax profits nudged ahead £900,000 to £15.9m while sales fell from £295.67m to £272.05m. Earnings per share were 9.07p (8.62p) and the interim dividend is unchanged at 2.75p.

As a result of more costly raw materials, the disruption caused by reorganising the Devon operation, and adverse currency movements, the paper and converted products division produced operating profits of only £1.42m (£3.15m).

The trading surplus from the agricultural division, on the other hand, held steady at £4.34m (£4.29m) against a depressed animal feeds market, and seed activity affected by high autumn plantings of cereals. But the company was able to report that the severely depressed pig market had "improved significantly" since the period-end.

For the full year, Bibby said it expected its performance to be similar to 1988, when pre-tax profits fell to £30.18m (£34.84m) but a higher tax charge would affect earnings per share. The comparable half-year figures contained £1.8m trading profits from the US cheque printing and packaging divisions, sold last summer.

It warned, however, that a slowdown in the US and UK economies would affect particularly its science products and materials handling divisions. Helped by acquisitions, these moved ahead to trading profits of £5.38m (£3.52m) and £6.03m (£4.25m) respectively.

Science products maintained its organic growth but was also supplemented by Melles Griot of the US bought in March last year. All companies in the division performed well but the distribution outlets in Spain and France suffered price pressures.

Materials handling was helped by a strong market for fork lift trucks, where the division increased its market share. Continued growth in sales of small electric trucks introduced last year also favoured the results.

Sheffield Insulations joining market with £26m valuation

By Clare Pearson

SHEFFIELD Insulations Group, which claims to be the UK's largest distributor of insulation, fire protection and related products, is joining the main market via a placing which values it at £25.9m.

Of the 6.1m shares being placed, representing 30 per cent of the enlarged capital, 10 per cent are being sold by existing shareholders. The placing price is 125p.

In 1988 the company lifted pre-tax profit from £2.08m to £3.22m on sales of £102m (£85.33m). Trading this year had been encouraging, despite the reduction in housebuilding in certain areas of the UK, as commercial and industrial building had continued to enjoy a high level of activity.

The company said the longer-term prospects for insulation products were good in view of the expected introduction of new UK building requirements next year, which it believed could at a stroke increase the market by as much as 40 per cent. Economic and environmental arguments for using energy more efficiently also suggested an encouraging outlook.

Sheffield was one of the largest private undertakings in Yorkshire. It has been distributing insulation products for more than 30 years; and also owns an insulation and cladding panels maker and Miller Pattison, which instals loft and cavity wall insulation.

Proceeds will provide funds for expansion through acquisition and organic development.

New Ireland leaps back to black

A PRE-TAX profit of I£3.06m, or £2.57m, was achieved in 1988 by New Ireland Holdings, and dividends are restored with a payment of 9.31p.

The profit continued the recovery shown in the first half, and compared with a loss of £8.11m for the whole of 1987. The company conducts life assurance, and fire, accident, engineering and marine insurance.

Welcome features in the year were the return to profit in Irish National Insurance and the continuing strong peformance of New Ireland Assurance, the directors said.

As a result of significant rationalisation, the group had improved its competitive position and they looked forward with confidence.

Earnings for 1988 were 20.4p (loss 89.7p).

There was an extraordinary charge of £670,000, representing both exchange adjustments on the retranslation of net liabilities in respect of the foreign branch operations and movements in exchange rates subsequent to the termination of the ordinary activities of that branch.

Michael Peters to pay up to £3.75m for US acquisition

By Alice Rawsthorn

MICHAEL PETERS Group, the design company that recently warned the City about a slowdown in profits growth this year, is buying Duffy Design Group, one of the leading young graphic design consultancies in the US, for up to $6.23m (£3.75m).

Duffy, which is based in Minneapolis, has established a reputation as one of the US's most creative graphic design companies since its formation in 1986. Its clients include Ralph Lauren, the fashion designer, Lee Jeans and Porsche North America.

Last year Duffy won more awards from the New York Art Directors Club than any other design company has ever received in a single year. It made pre-tax profits of $46,000 on operating income of $637,000 in 1988.

Mr Robert Silver, deputy chairman of Peters, said the acquisition offered an opportunity for the group to become involved with "one of the best young design teams in the US".

Peters is paying $234,000 in cash for Duffy and has agreed to make performance related payments of up to $6m over the next six years.

Peters' long-term strategy is to establish a substantial presence within US design as part of its plan to become a powerful force in the international design industry.

So far its experience in the US has been far from happy. Hambrecht Terrell, the retail design business it bought in 1988, has suffered from the slump in US retail design. The progress of the group's recently formed packaging and brand identity company in New York has been unexpectedly slow.

Last month the group announced that profits growth would be slower than expected this year because of its difficulties in the US. Mr Michael Peters, group chairman, has gone to New York to tackle the problems. Peters' share price was static at 93p yesterday.

Refurbishment programme helps spur Stylo to £3m

By Graham Deller

STYLO, the Bradford-based footwear and sportswear group controlled by the Ziff family, yesterday unveiled a sharp recovery in taxable profits for the year to January 28 1989.

Benefits of the costly, and still continuing, refurbishment programme at the Stylo Barratt Shoes subsidiary contributed to a pre-tax outcome of £3m, well up on the depressed £428,000 achieved in the previous year. Turnover expanded 9 per cent to £66.77m (£61.09m).

The profit figure was struck after interest payable virtually unchanged at £1.88m and a contribution of £976,000 (£426,000) from property disposals, half of which related to the sale of the Harry Hall factory in Basingstoke.

The current plight of the UK footwear industry was illustrated by Mr Arnold Ziff, chairman, who said: "We can pursue more competitive, better quality and better designed footwear and receive a more reliable service from overseas sources."

Stylo retains its commitment to target its footwear away from *the synthetic, cheaper* end of the market and to the rationalisation of ranges.

Since its year-end, the group has purchased an 80 per cent stake in Avonstar Enterprises, a branded sports footwear retailer which trades under the Instep banner from nine shops mainly in the north west of England. Mr Michael Ziff, managing director said: "The synergy between the two companies is considerable and I believe that Instep will become a successful nationwide chain."

Earnings per share leapt to 11.13p (0.31p) and the single dividend for the year is lifted 2p to 7p.

Hawthorn Leslie issue

HAWTHORN LESLIE, the USM-quoted industrial holding company, has raised £2.5m through the issue of 4m shares, representing 2.19 per cent of its issued share capital, to Banque Paribas Capital Markets.

The proceeds of the issue, at 62½p against yesterday's market price of 65p, will be applied to the financing of future acquisitions.

Hawthorn Leslie has interests in electrical distribution, consumer electronics, printing and packaging and mobile communications.

BAe chief to step down

SIR RAYMOND LYGO, chief executive of British Aerospace, is to retire from executive duties at the end of 1989. Professor Roland Smith, chairman, told the aerospace and motor vehicles group's agm yesterday that he expected the appointment of Sir Raymond's successor to be announced in time for the new chief executive to take office in the autumn.

Professor Smith also predicted that BAe's turnover could be as high as £9bn in 1989, against £5.64bn in 1988, unless there was a major change in the economic and industrial relations climate. Half or more of the sales, by value, would be exported from BAe's UK factories.

The chairman said the year had started well for BAe, with first-quarter sales and profits on budget.

Bowater has 23½% of Chamberlain

Bowater Industries has increased to 23.5 per cent its stake in Chamberlain Phipps, which is the subject of a two-way bid battle.

The rival bidder to Bowater is Evode which has a 14.9 per cent stake. Evode cannot buy any more shares because its offer is all-paper; Bowater, *which is bidding cash*, can increase its stake to 29.9 per cent.

Both bids close on Friday with the result expected to be close. The Chamberlain board last week opted to recommend the Evode offer. In addition to their stakes, Bowater has acceptances of around 4 per cent and Evode 2.2 per cent.

Triefus held back

Increased investment and a downturn of sales in Australia towards its year-end held back profits of Triefus, the diamond trading and drilling group, in 1988.

On turnover ahead 10 per cent to £29.45m, pre-tax profits expanded from £1.42m to £1.6m. Earnings per share worked through at 9.28p (7.23p) and a recommended final dividend of 1p (2.5p) maintains the total at 3p.

COMPANY NEWS IN BRIEF

AMBROSE INVESTMENT Trust lifted earnings to 12.5p (11.02p) for year ended March 31 1989 and is raising dividend 1p to 13.41p with final of 8.73p. At March 31 net asset value per Income share 28.16p (28.82p) and per Capital share 666.87p (567.76p).

CITY OF OXFORD Investment Trust: Net asset value at March 31 1989 was 52.4p (43.1p adjusted). After-tax revenue for year£519,577 (£410,923 after £107,021 extraordinary charge). Earnings per share 2.6p and final dividend 0.9375p for a total of 1.925p.

YEARLING BONDS totalling £0.25m at 12¾ per cent, redeemable on May 16 1990, have been issued by the following local authority. West Lancashire District Council £0.25m.

NORTHERN ENGINEERING Industries: offer from Rolls-Royce accepted in respect of 55.7 per cent, and the latter has 60.3 per cent in total. The offer is unconditional and remains open.

SANDERSON ELECTRONICS is paying up to £200,000 cash to buy 75 per cent of System 800 Computers.

SOUTHAMPTON, Isle of Wight and South of England Royal Mail Steam Packet is to acquire Grays Transport, a private road haulage partnership based at Andover, Hampshire, for a maximum £2m cash.

UK COMPANY NEWS

Holders call in company doctor to revive Havelock

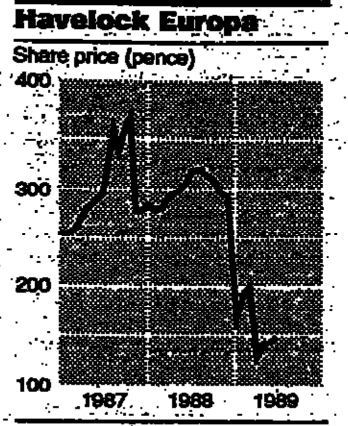
By Andrew Hill

PRESSURE FROM major shareholders has helped install Mr Lewis Robertson, the company doctor who is already chairman of two quoted UK groups, as executive chairman of Havelock Europa, the store designer and shopfitter.

Mr Robertson was appointed on Tuesday and has spent the last two days travelling the country looking at Havelock's operations. He said yesterday he would aim to improve the business's systems and controls and appoint a new chief executive.

Havelock announced a downturn in interim pre-tax profits in December and, in February, Mr Barry Ward resigned as the group's managing director following concern over his unpaid debts to the company. The group has also warned that second-half profits will be less than the first-half figure of £1.39m before tax.

Havelock Europa



Scottish institutions and the Rennie family, which together own 57.5 per cent of Havelock, have now forced further departures from the board. The acting managing director, Mr Tom Corrigan, has resigned as non-executive chairman of the group.

Two non-executive directors have also gone: Mr John Thomson – who, coincidentally, succeeded Mr Robertson as chairman of foods group Borthwicks at the beginning of the year – and Mr David Burnet, who only joined the Havelock board on February 13.

Mr Robertson is currently chairman of FJC Lilley, the building and construction group, and of Triplex Lloyd, the foundries and engineering company. He also heads Girobank Scotland.

He said yesterday he was confident about Havelock's future.

"There are no prizes for a company doctor whose patients die on the operating table," he added.

Havelock's shares traded as high as 370p before the October 1987 stock market crash, but the impact of resignations and profit falls dragged the price down to 128p earlier this year. The shares have recently bounced back to yesterday's closing price of 150p, up 8p.

Chesterfield shares leap on results

SHARES of Chesterfield Properties leapt 102p to 955p yesterday as net assets of the Mayfair-based property investment and development group continued their seemingly inexorable rise.

The group revealed an increase in net assets at December 31 of 525p to £13.62 per share. The outcome followed an advance of 41 per cent in the previous year.

Directors said that investment properties contributed £39m to net assets and initial valuation surpluses on completed developments added a further £38m.

Chesterfield's investment in United Kingdom House in London's Oxford Street brought in another £21m.

Chesterfield's investment properties have been independently valued on an open market value basis at £310.28m. The revaluation threw up a surplus of £77.3m. The total included One Buckingham Gate in London, the group's prestige office development which is due for handover in July.

Pre-tax profits in the year to end-December advanced 35 per cent to £10.67m (£7.89m). Earnings rose to 32.88p (29.49p) per share and the total dividend is raised to 16p (14.5p) via a proposed final of 10p.

Windsor back in black

THE CONTINUATION of difficult conditions in the insurance broking market failed to prevent Windsor returning to the black in the half year to March 31 1989.

The pre-tax figure of £131,000 was struck on turnover of £3.43m (£3.67m) and compared with a deficit of £119,000 for the comparable period last time, and a loss of £103,000 for the full year to end-September 1988. Earnings per 10p share were 0.163p (losses of 0.45p).

Mr Stanley Taylor, the chairman, said he expected the company to return to the dividend list at the end of the year.

Evans Halshaw shares fall 44p

SHARES IN Evans Halshaw fell 44p to 285p yesterday after the Birmingham-based motor dealer warned that a depression in the components aftermarket was proving to be "somewhat deeper and longer lasting than anticipated."

Mr Geoffrey Dale, chairman, told Evans Halshaw's annual meeting that the problem had been "created by a second consecutive mild winter, compounded by high interest rates, which have put severe pressure on our customers, the retail and wholesale parts distributors."

As a result of this, and the costs of integrating the Moprod distribution business with the competing Supra group acquired in December, the division was operating well below expected profit levels.

Mr Dale said, however, that profitability in the group's car and truck retailing and vehicle management service businesses was running according to plan.

Steetley makes further buy in Spain

By Philip Coggan

Steetley, the UK construction materials group, has made a further acquisition in Spain with the purchase of an 80 per cent stake in Ariberia, a Madrid-based construction materials group, for an undisclosed cash sum.

Last year, Steetley made two substantial acquisitions in Spain - Canteras La Pola and the Casla group. According to Mr Peter Roberts, finance director, Steetley now has less than 4 per cent of the total Spanish aggregates market but a 30 per cent share in the Madrid area.

Bank of Wales to receive £5m from Scottish parent

By Anthony Moreton, Welsh Correspondent

THE BANK of Wales is to raise £5m from the Bank of Scotland, its controlling shareholder, to finance an expansion of its financial services.

The Bank of Scotland, which owns three-quarters of the equity of the Welsh bank, is to put the money up in the form of non-cumulative irredeemable preference shares of £1 each at an issue price of 100.9345p. The yield is 9¾ per cent.

The Bank of Scotland was the first bank in the UK to make a Tier 1 capital issue when it raised £180m in March.

Mr Eric Crawford, chief executive of the Bank of Wales, said the finance was needed to meet the booming demand for lending.

The present Tier 1 capital creation does not affect the £6m Tier 2 money raised by the Bank of Scotland through a rights issue a year ago and still held by it for the Bank of Wales.

Pensioning off the old rules

Richard Waters on SSAP24 and its possible effects

THE established orthodoxies of financial indicators like earnings per share and gearing ratios in the UK are about to suffer one of those hiccups that sometimes accompanies the advent of a new accounting rule.

The figures of many leading companies will be affected as a result – and the changes in some cases are likely to be significant.

Take one recent example. Williams Holdings, the industrial conglomerate, revealed a £72m boost to reserves in its 1988 accounts. This amounted to more than a quarter of its shareholders' funds at its year end.

The cause? No, not a revaluation of its brands, that other great contributor to the strength of balance sheets (Williams considered a brand revaluation, but was put off by the climate of opinion against it in the financial world). Instead, the group's reinforced reserves were due entirely to new rules on accounting for the costs of pension funds.

Like all good accounting rules, this one contains options which offer considerable opportunities to the alert financial manager. The simple choice for many companies this year is: would you rather bolster your balance sheet now, or take the benefit as an addition to profits over a number of years?

The pension costs rule was issued a year ago as Statement of Standard Accounting Practice 24, but has yet to filter through into the corporate consciousness since most financial managers will not have to apply it until the end of this year. It relates to all accounting years beginning after July 1988 – although some companies, such as Williams, have opted to adopt it earlier, something which the standard encourages them to do.

SSAP24 addresses the question of how companies should report the costs of their staff pension schemes in their accounts. Up to now, the charge in the profit and loss account has equalled the contribution a company has made to its pension scheme in the year in question.

After periods of strong investment returns, when companies take contribution "holidays" to reduce the surpluses in their pension funds, this method can produce substantial one-off benefits to profits.

In future these benefits will be smoothed out: any variations will have to be spread over the remaining service lives of the employees (reckoned to be somewhere between ten and 15 years for most companies). Bacon & Woodrow, the actuarial firm, estimated last year that had this smoothing been in force already, it would have wiped an average of £10m each off the profits of a selection of 40 large companies.

The opposite is true in times of pension fund deficiencies, allowing companies to spread the extra costs of reinforcing their pension schemes.

The interesting thing for the canny company accountant is what happens during the transitional period when this standard is adopted. A surplus that has been built up in previous years can be dealt with in one of two ways. It can be treated as a "pre-payment" of contributions, and shown as an asset in the balance sheet; or it can spread it over the remaining service period of the employees, reinforcing future profits.

Williams is not the only company so far to have opted for the asset route. Booker, the food and agriculture group, came up with an asset of £19m in its 1988 figures. Like Williams, it has included this prepayment under "debtors" in its balance sheet.

This type of accounting adjustment may prompt the instinctive cry of "foul!" – after all, companies appear to be conjuring up assets (and hence extra reserves) from nowhere.

However, the method is theoretically sound, since a prepayment of contributions has all the hallmarks of an asset (it reduces the contributions a company would otherwise have had to make to its pension fund in the future).

The profit and loss account alternative has also been in evidence. Reed last week announced a £17m leg-up to profits thanks to SSAP24, preferring this to setting up a new asset.

The transitional arrangements are not the only part of the standard which will be exercising the minds of finance directors. The rule which forces companies to spread variations in their contributions is overridden in some circumstances.

For instance, when there has been a "significant reduction" in the number of employees, the effect on contributions is recognised immediately. What "significant" means will no doubt provide ample scope for discussion between companies and their auditors over the coming years, since it could make a considerable difference to reported profits.

Another exception is when a company takes a refund from its scheme. These refunds are subject to tax at 40 per cent, following the 1986 Finance Act. This favourable profit and loss account treatment could encourage some companies to take refunds rather than contribution holidays – though in cash terms they would suffer as a result.

As Mr Ron Paterson, technical partner at Arthur Young, says: "You would have to be pretty desperate to do it – but there may be some desperate people around."

The requirement to spread other variations in pension fund contributions (the basic point of the standard) also leaves room for choice. No single amortisation method is specified, leaving it up to companies to choose for themselves how this spreading is achieved.

A number of factors can make significant differences to the amounts shown in the accounts:

● Should the amount be amortised in a straight line over, say, ten years, or at a reducing rate to reflect the fact that the employees in the scheme at the start of the period will gradually leave? The second method loads more of the effect into the early years.

● Should expected salary rises be built into the equation? This will shift more of the cost into the later years.

● Should the amounts include interest (after all, the surplus or deficit identified by the scheme's actuary is a discounted amount, and so should not logically be treated as an absolute sum in the accounts)? Adding in interest increases all the amortised amounts substantially.

● The choice of actuarial method itself may have an impact. The standard does not specify any particular method (unlike the comparable US standard), leaving it largely open to companies and their actuaries to choose their own.

While juggling with all these factors, companies should not overlook one other important point about the pension costs standard: they will have to disclose much more information about their pension schemes, and that can only be of help to outsiders (including potential predators) seeking a better understanding of their figures.

The assumptions underlying the actuarial valuations must be disclosed, such as expected salary increases and investment returns, as does the market value of the scheme's assets. These give an informed reader an indication of how conservative or otherwise a company is being, and hints at any further undisclosed surplus (or deficiency) there may be in a scheme.

This information is also of use to employees. Take Williams, which says that its pension surplus is based partly on an assumption that salaries will rise by 7 per cent a year. Employees will no doubt take this indication of management intentions into account in any future wage bargaining.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs.
1987							
4th qtr.	107.9	109.4	29.3	133.3	210.8	2,658	262.1
1988							
1st qtr.	107.8	110.6	31.3	135.3	173.3	2,486	249.9
2nd qtr	109.2	112.3	32.9	137.9	181.1	2,364	255.2
3rd qtr.	110.7	116.0	32.7	139.2	188.2	2,228	244.3
4th qtr.	110.8	117.2	33.6	140.8	229.9	2,101	244.9
May	109.3	112.5	31.3	137.7	180.4	2,364	254.5
June	109.9	113.0	31.2	137.0	182.3	2,324	255.1
July	110.5	115.6	31.7	140.0	181.4	2,267	249.7
August	110.4	115.9	32.8	139.5	187.6	2,226	242.8
September	111.0	116.6	32.7	138.4	195.8	2,192	240.3
October	110.5	116.7	33.3	141.2	198.6	2,159	251.2
November	111.6	117.0	33.7	140.4	216.8	2,105	245.2
December	110.5	117.9	33.6	140.8	272.2	2,037	238.3
1989							
January	109.3	118.5	33.4	137.4	184.1	1,985	229.2
February	109.6	117.8	[illegible]	141.7	[illegible]	1,949	228.1
March				141.7	192.1	1,918	222.9

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
1st qtr.	108.5	105.7	107.7	107.1	117.8	102.9	20.2
2nd qtr	111.5	108.1	108.7	109.7	120.3	101.0	22.3
3rd qtr	113.6	114.1	108.2	114.9	122.7	102.2	20.4
4th qtr	114.9	116.0	107.0	116.3	122.1	102.6	18.4
June	111.6	111.0	108.7	112.0	119.0	101.0	23.5
July	113.5	112.8	108.5	114.0	125.0	104.0	20.5
August	113.0	114.0	108.1	116.0	120.0	102.0	20.5
Sept.	114.4	115.4	108.1	116.6	120.5	101.0	20.1
October	114.1	116.7	107.2	116.0	127.6	102.0	19.5
November	115.4	115.9	107.4	117.8	119.6	102.0	21.4
December	115.2	116.5	106.3	116.0	124.0	104.0	14.2
1989							
1st qtr.							17.2
January	116.2	116.2	104.0	116.0	123.0	101.0	18.6
February	118.4	115.7	102.5	115.0	125.0	102.0	18.6
March							14.4

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	108.2	119.8	-4,529	-3,601	+730	97.6	44.64
2nd qtr	111.4	127.7	-4,636	-2,744	+815	98.7	48.82
3rd qtr	108.3	133.7	-6,006	-3,438	+480	98.3	50.40
4th qtr.	108.8	135.9	-6,304	-5,483	+340	98.6	51.69
June	114.3	130.0	-1,572	-910	+275	99.9	48.52
July	107.8	141.5	-2,306	-1,313	+119	98.8	49.89
August	108.5	127.5	-1,857	-905	+177	100.0	50.64
September	114.1	131.9	-1,473	-729	+164	99.1	50.48
October	103.7	130.6	-2,666	-2,352	+67	97.2	50.05
November	107.1	131.5	-1,886	-1,612	+132	97.8	51.04
December	108.1	133.8	-1,793	-1,400	+141	98.7	51.69
1989							
1st qtr.	111.0	141.3	-5,985	-4,485	+84	100.2	50.48
January	114.5	146.1	-2,099	-1,599	+103	100.3	51.71
February	104.8	138.9	-2,196	-1,895	-16	100.0	51.88
March	113.6	138.9	-1,690	-1,190	+107	100.3	50.46
April							50.79

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
1st qtr.	5.2	20.6	20.8	+12,668	3,051	+985	8.50
2nd qtr	6.6	18.6	20.4	+16,348	4,173	+1,165	9.50
3rd qtr.	7.7	17.3	22.7	+15,748	3,162	+1,082	11.50
4th qtr.	7.7	14.3	20.5	+13,379	3,166	+873	12.70
July	6.9	18.1	21.1	+6,152	1,352	+345	10.50
August	7.6	15.8	20.6	+3,372	1,179	+471	12.00
September	8.5	17.3	22.7	+5,[illegible]	621	+275	12.00
October	7.7	13.7	19.8	+4,222	1,563	+195	12.00
November	7.7	11.7	20.5	+2,790	786	+302	12.00
December	7.7	14.3	20.5	+6,209	816	+205	13.00
1989							
1st qtr.	6.7	13.8	21.2	+14,061	2,801	+819	13.00
January	7.2	11.4	21.3	+6,598	794	+224	13.00
February	6.9	13.6	22.2	+2,282	1,064	+280	13.00
March	6.2	13.5	21.2	+5,183	213	+326	13.00
April							13.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	121.6	96.9	111.0	103.7	103.5	1,767	75.3
2nd qtr	124.3	97.8	112.9	106.2	104.6	1,817	77.6
3rd qtr.	127.5	98.3	113.5	108.0	104.7	1,902	75.9
4th qtr.	131.9	100.1	115.2	109.8	105.7	1,887	77.5
July	128.3	98.4	113.5	106.7	104.8	1,970	75.6
August	126.8	98.0	113.9	107.9	104.4	1,889	76.5
September	127.3	98.2	114.3	108.4	104.8	1,879	75.5
October	128.9	98.9	114.8	109.5	104.9	1,874	76.3
November	131.2	99.8	115.2	110.0	105.7	1,886	77.1
December	136.7	102.6	116.4	110.3	106.5	1,821	78.8
1989							
1st qtr.		102.7	116.5	111.7	107.0	1,874	97.1
January	131.8	104.0	116.4	111.0	107.4	1,960	97.9
February	132.0	101.9	116.8	111.8	107.7	1,854	97.4
March		102.3	117.2	112.3	108.3	1,900	95.9
April		100.8	117.8			2,016	96.5

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

COMMODITIES AND AGRICULTURE

Ridley warns farmers on pollution

By Richard Donkin

BRITISH FARMERS were told last night to re-shape their attitudes to food production and reduce water pollution in a hard hitting speech by Mr Nicholas Ridley, the Environment Secretary. Speaking at a meeting of the Agricultural Forum of farmers and farm retailers in London, Mr Ridley said that it was "extremely disappointing" to see that incidents of pollution caused by farmers had risen by 6 per cent last year.

He said: "The overall position has reached an unacceptable level. The time has come not only for this trend to be stopped, but to put it firmly into reverse."

Mr Ridley warned that the National Rivers Authority, to be established under water privatisation, would take tough action against the small minority of farmers who persisted in polluting the environment through thoughtlessness.

The authority would have the backing of regulations under preparation at present, specifying minimum standards for the construction of silage and slurry installations, the source of most incidents.

Reinforcing the Ministry of Agriculture announcement this week of proposed curbs on the use of nitrogen fertilisers in pilot areas, Mr Ridley said government policy was to encourage voluntary restrictions on nitrate use in the first instance, and urged farmers to adopt good agricultural practice and not add unnecessary fertiliser.

He also urged greater contact between farmers and retailers to encourage the growing of products the public would buy. Food retailing had to be market-oriented. "Why can't I buy English artichokes, endives, salsify, chicory, yellow tomatoes, sea kale, tarragon, celeriac and a host of other things," said Mr Ridley.

Digging for victory and production at any price, he said, were things of the past. Farmers had to respond to markets, such as the increasing demand for organically-grown food, although he commented: "Some of us may be more sympathetic to this than others. I personally view it as a way to rip off the customer by charging more for identical produce."

Mr Ridley called for a move away from the persistent use of pesticides and said the Government was seeking a more constructive relationship between agricultural and environmental policies recognising "the farmer's role as the manager and the custodian of the countryside." Countryside Commission schemes to create new landscape features and wildlife habitats from set-aside land would attract extra grants over and above set-aside payments.

Biotechnology 'could add 10 per cent to EC crops'

BREAKTHROUGHS in biotechnology could raise European Community crop yields by well over 10 per cent by the turn of the century, according to a report drawn up for the EC Commission, reports Reuter from Brussels.

But analysts say such advances could be a mixed blessing for EC farm policy and the agricultural industry is worried about public acceptance of its products.

The report, by the Brussels-based agency Bureau Europeen de Recherches (BER), draws on a survey BER conducted of companies and research institutes throughout the EC, the US and Switzerland. The companies are not named.

"The technologies. . . have the potential to increase yields, reduce losses and improve output quality," says the report.

The study says a sophisticated method to detect diseases early is likely to make the most immediate impact on crop production.

Known as DNA/MAB probes, this technique could add 10 per cent to the total production of cereals, oilseeds and sugar beet, the report says in estimates based on present areas under crops. It could be used for sugar beet as early as 1991, it estimates.

The Impact of Biotechnology on Agriculture in the European Community to the year 2005.

US expected to play down drought losses

By Nancy Dunne in Washington

A KEY report due out from the US Department of Agriculture later today is likely to provide conservative estimates of damage wrought by still-pervasive drought in important wheat growing states, according to most traders.

It is also unlikely to shed much light on the murky US wheat outlook. Although the report will not say so, traders believe the losses to the US winter wheat crop, piled atop last summer's poor durum harvest, will drop US wheat exports next year, perhaps by as much as one-third.

"People think the USDA will not address the maximum losses feared in Kansas," said Mr Steve Freed, a grains analyst with Dean Witter Reynolds. "The numbers could be the highest of the year."

The winter drought has devastated hard red winter wheat crops in a four state area: Kansas, the nation's top producer; Colorado; Oklahoma; and Texas. Losses, however, could be somewhat offset by the 12 per cent increase in planted acreage – because the Government required lower set-asides this year – as well as a rise in production of white winter wheat and of soft red winter wheat in areas unaffected by drought.

According to Mr Barry Jenkins, a spokesman for the National Association of Wheat Growers, the trade estimates are for a total hard red output of 680m to 900m bushels, compared with the 800m produced last year. The 1987-88 hard red winter wheat harvest was less abundant than usual, having endured damage from both insects and disease.

A survey of the top trading houses by the Knight-Ridder news service produced an average winter wheat estimate of 1.4bn to 1.685bn bushels, not much less, at the very worst, then last year's 1.561bn bushels. But stocks are much lower than usual and could fall below 500m next year.

In the months to come, traders will be closely monitoring the weather because improvement is still possible; farmers who lost their winter crop could plant again in the spring.

But there are worries about low moisture in the subsoil, particularly in the Dakotas and Canada.

Even more important to prices will be USDA decisions about export subsidies. An aggressive export policy will firm up prices, said Mr Freed. But prices could be depressed by timid or badly-timed subsidy offers.

World wheat demand is expected to remain constant, but US exports are likely to drop from 1.5bn bushels to 1bn, Mr Freed said.

'Miserable years' forecast for copper

By Kenneth Gooding, Mining Correspondent

THE MASSIVE Escondida project in Chile will have a seriously depressing impact on copper prices when it comes into production, predicted Sir Bruce Watson, chairman of MIM Holdings, yesterday.

He suggested that copper prices would maintain "reasonable levels" of more than $1 a lb until the middle of next year.

"Then the market will start to anticipate Escondida and I expect 1991 and 1992 to be pretty miserable years."

MIM has a vested interest in copper's performance because its Mount Isa Mine in Australia is the world's largest silver and lead producer and is among the top ten copper and zinc producers.

Sir Bruce pointed out that when Escondida came into operation it would involve a big step up in world copper production – about 300,000 tonnes of copper in concentrate a year at a price below 40 cents a lb.

The mine is due to start full production in 1991 but construction is rumoured to be six months ahead of schedule.

Sir Bruce said in London yesterday that MIM was also a low-cost copper producer and would weather the storm Escondida would create.

As for the short-to-medium-term prospects for other metals, Sir Bruce suggested "lead will float along, silver will fall a bit more and zinc will continue to do well."

He said the advent of Cominco's new Red Dog zinc mine in Alaska, due to come on stream soon, might hit zinc prices but he did not expect them to fall below $1,200 a tonne during the next 18 months.

S Yemen looks forward to its own oil income

Victor Mallet reports on prospects for the latest recruit to the ranks of the world's exporters

After North Yemen, it is now South Yemen's turn to join the ranks of the world's oil exporters.

For a long time the ailing economy of South Yemen – officially the People's Democratic Republic of Yemen – has depended heavily on the oil wealth of other Arab states, in the form of Arab financial aid and above all remittances from Yemenis working in Saudi Arabia and elsewhere in the Gulf.

South Yemen has for years been importing goods worth ten times as much as its exports and is finally looking forward to some oil income of its own.

The Soviet Union found commercial quantities of oil in the Shabwa region in 1987 and by the end of this month output from exploration wells in the Eastern Ayyad, Western Ayyad and Amal fields is expected to reach about 7,000 barrels a day. At present the crude oil is sent by truck to the Aden refinery but Soviet technicians are building a 220 km pipeline to Bir Ali on the coast which should be completed by early next year.

Although the pipeline could probably handle about 120,000 b/d for export from a new Bir Ali terminal, initial production from Shabwa is thought unlikely to exceed 50,000 to 70,000 b/d. Early announcements that South Yemen had reserves of more than 3bn barrels are now treated with scepticism in the oil industry, but it will not be long before the country, with domestic requirements of only about 15,000 b/d, becomes a net exporter.

The discovery of oil in Shabwa – and the oil is said to be of good quality, light and low in sulphur - has quickened the pace of exploration in South Yemen as a whole.

The Soviet Union, working under agreements between the Aden Government and Technoexport, a commercial arm of the Soviet Ministry of Foreign Economic Relations, has invested the most. Credits worth some $500m have been granted to South Yemen for the pipeline construction and development of the oilfields, and the loans will be repaid from future production. There are about 15 Soviet rigs currently working on delineation and development of the fields and further exploration.

Exploration by Western oil companies in South Yemen has also intensified since 1980, and the French have taken a leading role. Total, in partnership with Kuwait and Union Oil of California, completed a seismic survey this year and is expected to spud its first exploration well in June in its East Shabwa concession next to the Shabwa block.

Elf, together with BP and Lasmo, is working on an onshore and offshore concession in the Aden region, and has recently been granted a second block at Sirr Hazar in the north. Canadian Oxy, with CCC, is exploring in the Masila block around Mukalla. The Western companies have production-sharing agreements, while the title to the Shabwa concession being developed by the Soviet Union remains with South Yemen's Petroleum Exploration Department.

Some areas of South Yemen are still open. Particular attention is being paid to the 2,200 square km corridor in a once-disputed border area between North and South Yemen, because it lies near the oil-bearing Marib/al-Jawf zone of North Yemen and Shabwa in the south. More than 35 companies have expressed an interest in the area, which comes under the aegis of the Yemen Company for Investment in Oil and Mineral Resources, a joint company with headquarters in Sanaa formed after the two countries reached agreement last year. Exploration in the area could begin in 1990 if the two sides can agree on how to award the concession.

In the meantime the Soviet Union is considering stepping up production from Shabwa earlier than expected if it can use the section of the pipeline already completed to increase output and reduce the length of the truck journeys now required.

If Shabwa production turns out to be particularly high there are tentative plans to extend the pipeline from Bir Ali to the Aden refinery, although present projections suggest the investment would not be worthwhile. The oil can easily be transported from Bir Ali to Aden by ship.

South Yemeni officials are attempting to ensure that the expectations of their citizens, many of whom covet the luxuries they see while working in the Gulf states, are not raised too high by the recent oil finds. "We will not all be buying videos," says Mr Hasan Hubeishi, the Deputy Trade Minister.

Any increase in foreign exchange earnings will, however, be a welcome relief for a country which has suffered from falling remittances and foreign aid flows. With North Yemen already producing some 200,000 b/d, some predictions suggest that the two Yemens together may eventually produce as much as 1m b/d, which would make them a force to be reckoned with, whether or not they join the Organisation of Petroleum Exporting Countries.

Canadian exports to fall by a third

By David Owen in Toronto

CANADIAN GRAIN exports in the 1988-89 crop year, ending July 31, are set to fall by at least a third from 1987-88 levels, as a consequence of last summer's protracted drought.

As at the end of April, Canada had exported only 14.2m tonnes of grain, compared with 21m tonnes in the corresponding year-earlier period, according to the Canadian Wheat Board. Exports of wheat, the most important single crop, were down to 10.3m tonnes from 15.7m tonnes in 1987-88.

With little spare material left in storage bins, Canada's share of the global wheat trade could decline to only 12 per cent from around 20 per cent in recent years, some experts have predicted.

Barring a bumper crop this season, little improvement is in prospect for 1989-90, since carryover stocks are approaching historically low levels.

Statistics Canada's March 31 report put overall wheat stocks at just under 11m tonnes, compared with almost 22m tonnes a year earlier.

By contrast, stocks of rapeseed were higher than 1987-88 levels at 2.43m tonnes against 1.76m, while oats stocks were down only marginally at 1.58m tonnes, compared with 1.67m.

With planting time for the new season approaching, Canadian farmers are again hoping for rain. According to recent estimates, topsoil moisture in the three prairie provinces of Manitoba, Saskatchewan and Alberta is currently at between 60 and 75 per cent of adequate levels.

Brazil weathers home-grown energy crisis

By John Barham in Sao Paulo

BRAZIL HAS only just avoided a home-grown energy crisis after supplies of fuel alcohol, distilled from sugar cane, started running dangerously low.

Fuel pumps throughout the country began drying up as stocks dwindled from 3bn litres of the alternative fuel to 500,000 litres at the beginning of the month – enough only for about two weeks' consumption.

The present shortage highlights the contorted economics of Brazil's alternative energy policy, which analysts say are the underlying cause of the shortage.

Fortunately, the 1989 sugar cane harvest is just beginning, averting a potentially crippling fuel shortage. About a third of Brazil's cars run on alcohol and a shortage could aggravate a strike wave gripping the country.

Brazil introduced fuel alcohol during the energy crises of the 1970s to reduce the dependence on imported oil. However, Petrobras, the national oil company, must subsidise alcohol, which costs about three times more to produce than a barrel of petrol.

Sugar cane growers in the north-east of Brazil are blamed for the present alcohol crisis. They had promised the Government to deliver 2.7bn litres of alcohol at the last harvest but produced only 1.7 bn litres – although they harvested enough sugar to make the full amount. They used the surplus sugar cane to produce more demerara sugar and sold it for export, creating an immediate alcohol shortage of 1bn litres.

Worse still, the Government encouraged consumption by holding the price of alcohol down as part of its anti-inflation Summer Plan. Consumption is said to have increased by almost 20 per cent in March alone.

Prof Eli Roberto Pelin of the University of Sao Paulo, an authority on the alcohol policy, said that "long term factors are also at work to create a shortage." He said that while consumption had increased by 60 per cent over the past five years, output had risen by only a fifth. Producers complained, he added, that government controlled prices were too low, discouraging investment. "Sooner or later," he said, "there had to be a scarcity of alcohol."

Ironically, Brazil has become a prisoner of its own energy policies, which it thought would free it from unreliable Middle Eastern suppliers.

WORLD COMMODITIES PRICES

LONDON MARKETS

NEARBY coffee prices again rose sharply yesterday amid talk of a squeeze by a US operator which is believed to have an uncovered position of around 6,000 lots out of a total of 7,760 lots for the spot month. Dealers said that although there was robusta coffee around, much of it was not tenderable quality. On the LME aluminium prices closed down after rallying in the morning when the IPAI announced non-Communist world producer stocks had fallen by 43,000 tonnes to 3.15m tonnes. They had been expected to rise by up to 30,000 tonnes. The gains were wiped out in the afternoon, partly because of easier copper prices and partly because three-month prices had failed to test $2,200 a tonne in the morning rally. On the BFE, the Baltic Freight Index reached 1,715, a rise of 11, and the fifth consecutive record high.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.10-5.20q	-0.15
Brent Blend	$17.90-8.00q	-0 15
W.T.I. (1 pm est)	$19.50-9 55q	-0.35
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$260-262	-3
Gas Oil	$142-143	-1.5
Heavy Fuel Oil	$85-87	
Naphtha	$178-179	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$377.25	+0.50
Silver (per troy oz)♣	566c	+3
Platinum (per troy oz)	$537.65	+6.15
Palladium (per troy oz)	$159.50	-1.25
Aluminium (free market)	$2300	-35
Copper (US Producer)	132⅝-136c	-½
Lead (US Producer)	36c	
Nickel (free market)	630c	+10
Tin (European free market)	$10485.0	-22.5
Tin (Kuala Lumpur market)	27 88r	-0.12
Tin (New York)	480.5c	-1.0
Zinc (US Prime Western)	87¼c	
Cattle (live weight)†	116.69p	-3.21*
Sheep (dead weight)†	258 42p	+6.37*
Pigs (live weight)†	86.12p	-2.51*
London daily sugar (raw)	$307.4u	+0.4
London daily sugar (white)	$351u	+1
Tate and Lyle export price	£296	
Barley (English feed)	£104.25w	
Maize (US No. 3 yellow)	£133 0	-1.5
Wheat (US Dark Northern)	£126.00u	-0.75
Rubber (spot)♥	56.25p	-1.00
Rubber (Jun)♥	64 25p	-1.00
Rubber (Jul) ♥	64 25p	-1.00
Rubber (KL RSS No 1 Jun)	265m	
Coconut oil (Philippines)§	$587.5z	
Palm Oil (Malaysian)§	$415	
Copra (Philippines)§	$370	
Soyabeans (US)	£202	
Cotton "A" index	77.05c	-0.20
Wooltops (64s Super)	618p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jun/Jul u-May/Jun q-Jun x-Apr/May. w-Aug. z-Jul/Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
May	690	697	697 689
Jul	711	714	712 703
Sep	727	732	727 718
Dec	772	778	771 763
Mar	767	770	767 760
May	776	779	774 767
Jul	789	795	790 787

Turnover:7410 (6983) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 9: 926.44 (924.37): 10 day average for May 10: 951.04 (956.53)

COFFEE £/tonne

	Close	Previous	High/Low
May	1360	1315	1360 1330
Jly	1148	1149	1166 1144
Sep	1085	1085	1100 1082
Nov	1061	1050	1076 1056
Jan	1057	1056	1070 1057
Mar	1060	1055	1068 1060
May	1060	1060	1062

Turnover 5431 (7021) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 9: Comp. daily 115.72 (114.85). 15 day average 116.98 (117.19)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	279.20	276.00	280.00 271.00
Oct	277.40	274.40	277.80 270.40
Dec	276.00	274.00	270.00
Mar	268.00	265.20	266.00 262.00
May	268.00	265.00	265.00
White	**Close**	**Previous**	**High/Low**
Aug	347.00	347.00	346.00 342.00
Oct	331.00	330.00	331.00 328.00
Dec	327.00	323.00	
Mar	319.00	317.00	318.50 315.00
May	316.00	314.00	311.50

Turnover: Raw 2501 (2236) lots of 50 tonnes. White 485 (1530).
Paris- White (FFr per tonne): Aug 2197, Oct 2097, Dec 2065, Mar 2026, May 2005, Aug 1995.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Jun	17.99	18.04	18.05 17.81
Jul	17.15	17.22	17.20 17.01
Aug	16.71	16.77	16.70 16.59
IPE Index	17.94	18.56	

Turnover: 8351 (7961)

GAS OIL $/tonne

	Close	Previous	High/Low
May	142.25	144.50	143.50 142.25
Jun	141.25	141.00	141.50 139.00
Jul	141.00	141.00	141.00 138.75
Aug	142.50	141.75	142.50 139.50
Sep	143.50	142.75	142.00 140.25
Oct	144.00	144.50	144.00 142.00
Nov	145.50	146.00	145.00 143.00
Dec	147.00	146.50	144.00

Turnover 8362 (7567)lots of 100 tonnes

WOOL
Prices being paid for wool show little change but there is no convincing sign of a definite dearer tendency. In Australia and South Africa support buying is an important factor. There is some talk of improved competition from Japan, whose sudden absence from the market was crucial in the price decline after Easter. Activity in the UK industry is not up to capacity but there are occasional improvements as well as a widespread fear of further deterioration. Business is very much hand-to-mouth. Prices are just about steady with 612p per kg. for 64s tops and 425p per kg. for 58s average.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,700 tonne
Cash	2300-10	2320-30		2295-305		
3 months	2145-50	2155-60	2175/2135	2155-60	2148-50	35,356 lots
Copper, Grade A (£ per tonne)						Ring turnover 30,725 tonne
Cash	1693-5	1699-701	1701/1698	1699-700		
3 months	1677-8	1685-6	1683/1673	1680-1	1676-6.5	29,763 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	561-4	558-60		562-2.5		
30 June	569-72	566-8		569-71		316 lots
Lead (£ per tonne)						Ring turnover 6,175 tonne
Cash	376-8	372.5-3	382/378	382-3		
3 months	369-70	370-1	374/369	374-4.5	371-1.5	10,271 lots
Nickel ($ per tonne)						Ring turnover 738 tonne
Cash	13900-4000	13900-50	14100/13900	14050-100		
3 months	13750-800	13800-50	14000/13750	13900-25	13700-25	7,601 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 4,200 tonne
Cash	1680-90	1665-70	1722/1720	1719-21		
3 months	1612-5	1596-600	1635/1615	1635-6	1610-5	11,025 lots
Zinc ($ per tonne)						Ring turnover 7,700 tonne
Cash	1610-20	1590-5	1635	1630-5		
3 months	1560-5	1547-50	1580/1557	1580-5	1555-60	11,395 lots

POTATOES £/tonne

	Close	Previous	High/Low
May	180.0	181.0	185.0 179.9
Nov	91.0	91.0	91.9
Feb	100.0	100.0	
Apr	147.7	147.4	148.5 147.5
May	162.0	161.0	161.0 160.0

Turnover 339 (248) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	158.50	159.00	
Aug	151.00	152.50	152.00
Oct	150.00	152.00	

Turnover 50 (53)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
May	1694	1685	1698 1685
Jun	1626	1618	1622 1610
Jul	1470	1462	1475 1458
Oct	1560	1565	1565 1560
Jan	1590	1585	
Apr	1600	1603	1605 1600
BFI	1715	1704	

Turnover 364 (290)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
May	117.10	117.80	116 80
Jun	118.40	119.25	118.50 118.00
Sep	105.15	105.10	105.20
Barley	**Close**	**Previous**	**High/Low**
May	108.60	108.60	108.75 108.70
Sep.	102.70	102.65	102.70
Nov	105.45	105.55	105.45
Jan	108.10	108.10	108.10
Mar	110.60	110.60	110.60

Turnover: Wheat 121 (180). Barley 50 (32).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	110.5	110.5	110.0
Aug	108.5	108.5	
Oct	111.5	111 0	
Nov	112.0	111.5	
Feb	108 0	107.5	107.5

Turnover 10 (22) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	377-377½	225½-226
Opening	378-378½	226½-227
Morning fix	378.1	226.651
Afternoon fix	377.2	226.844
Day's high	378¾-379¼	
Day's low	376½-377	

Coins	$ price	£ equivalent
Mapleleaf	388-393	232-235
Britannia	388-393	232-235
US Eagle	388-393	232-235
Angel	387½-392½	231¼-234¾
Krugerrand	375-379	225-227
New Sov.	88¾-89¾	53-53¾
Old Sov.	88¾-89¾	53-53¾
Noble Plat	540.1-546.65	323.8-326.95

Silver fix	p/fine oz	US cts equiv
Spot	339.70	567.00
3 months	350.75	581.35
6 months	361.85	596.55
12 months	383.90	624.80

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
2000	303	182	25	119
2200	165	98	84	229
2400	76	49	192	49
Copper (Grade A)	**Calls**		**Puts**	
2650	195	190	43	104
2750	132	140	79	151
2850	84	100	130	268

LONDON FOX TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
1050		96		64
1100	80	72	32	90
1150	55	53	57	121
1200	33		85	
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
650	64		4	
700	28	47	18	21
750	9	23	49	47
800		10		84

US MARKETS

IN THE METALS, gold prices slipped in quiet trading on mostly local activity, reports Drexel Burnham Lambert. Silver futures drifted lower as profit taking in absence of follow-through fund buying was seen. Copper and platinum markets were steady in lackluster dealings. In the softs, commission house and speculative activity helped support the cocoa. Sugar futures had sideways action before fund buying rallied prices near the close. Long liquidation sank coffee futures as prices almost 200 basis July. The livestock markets again featured strong a strong belly market as carryover buying rallied prices. Tuesdays out of town storage report was neutral to friendly. Cattle futures were lower as an expected large supply of market ready feed was noted. Live hogs were steady due to the firm pork products and increased runs. Corn and wheat futures settled nearly unchanged for the day. Cotton recovered by way of commission house buying and stop orders adding strengh. The energy complex was weakened by scattered short selling in moderate volume.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	377.7	378.8	378.7	378.7
Jun	379.0	380.3	381.2	378.6
Jul	381.0	382.3	0	0
Aug	382.9	384.4	385.2	382.6
Oct	387.3	388.9	389.3	387.0
Dec	391.8	393.3	394.2	391.4
Feb	396.0	397.7	395.5	395.5
Apr	400.4	402.0	400.1	400.1
Jun	404.8	406.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
May	536.0	531.8	0	0
Jul	530.0	538.0	545.0	538.5
Oct	536.5	535.9	543.0	535.5
Jan	538.0	537.5	542.5	540.0
Apr	540.5	539.5	543.0	543.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	560.7	566.7	566.0	0
Jun	564.1	570.1	0	0
Jul	569.5	575.5	577.5	569.0
Sep	579.7	585.7	587.0	579.5
Dec	594.0	600.0	601.0	594.0
Jan	598.6	604.6	604.0	604.0
Mar	608.3	614.3	615.0	608.0
May	618.2	624.2	625.5	618.0
Jul	628.2	634.2	0	0
Sep	638.6	644.6	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 9	May 8	mnth ago	yr ago
2007.6	2007.3	2020.3	1768.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	138.21	138.36	137.30	131.02
Futures	136.79	136.73	137.91	134.39

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	125.20	125.60	126.60	125.00
Jun	123.80	123.70	123.70	123.70
Jul	122.50	122.10	123.30	122.00
Sep	119.70	119.00	120.20	119.40
Dec	117.00	116.00	117.50	116.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	19.43	19.76	19.58	19.34
Jul	18.50	18.75	18.62	18.38
Aug	18.02	18.22	18.13	17.93
Sep	17.74	17.87	17.84	17.62
Oct	17.59	17.65	17.64	17.50
Nov	17.45	17.46	17.46	17.38
Dec	17.32	17.30	17.38	17.22
Feb	17.10	17.05	17.10	17.10
Mar	17.05	16.96	17.05	17.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	4740	4699	4780	4690
Aug	4685	4662	4705	4650
Sep	4760	4737	4780	4725
Oct	4845	4812	4865	4800
Nov	4915	4887	4930	4890
Dec	4990	4962	5010	4970
Jan	5045	4967	5045	4990
Feb	4975	4947	4975	4975

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1229	1230	1235	1225
Jul	1156	1161	1166	1136
Sep	1169	1161	1176	1156
Dec	1181	1170	1186	1167
Mar	1185	1175	1189	1170
May	1193	1178	1198	1178
Jul	1156	1161	1165	1136
Sep	1231	1213	1230	1220

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	137.75	141.25	142.20	137.10
Jul	128.41	130.46	130.80	128.05
Sep	122.50	123.60	123.90	122.30
Dec	118.65	119.00	119.75	118.50
Mar	116.88	117.58	117.70	117.00
May	117.38	116.89	117.25	117.25
Jul	116.75	116.50	0	0
Sep	116.75	115.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	12.45	12.31	12.48	12.16
Oct	12.47	12.29	12.50	12.10
Jan	12.08	11.88	0	0
Mar	11.98	11.84	11.98	11.75
Jul	11.85	11.79	11.75	11.75
Oct	11.77	11.66	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	67.35	66.76	67.55	66.50
Oct	67.85	67.36	68.00	66.80
Dec	67.70	67.15	67.80	66.63
Mar	68.10	67.60	68.10	67.20
Oct	68.36	68.12	68.50	67.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	191.20	190.55	191.75	189.50
Jul	193.85	192.25	195.00	191.80
Sep.	186.90	186.20	187.50	185.75
Nov	175.20	174.20	175.50	174.00
Jan	170.45	169.75	170.50	169.60
Mar	170.10	169.85	169.75	169.25
May	169.85	169.15	0	0
Jul	169.85	169.15	0	0
Sep	169.85	169.15	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	768/2	766/2	769/0	758/0
Jul	748/4	753/2	756/0	748/0
Aug	745/4	749/0	750/4	743/0
Sep	728/0	730/2	730/4	726/4
Nov	717/4	720/4	720/4	716/4
Jan	725/4	730/0	729/0	725/4
Mar	734/6	737/0	737/0	734/4
May	739/0	741/0	743/0	739/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	23.65	23.69	23.84	23.65
Jul	24.14	24.17	24.36	24.12
Aug	24.40	24.41	24.60	24.40
Sep	24.62	24.60	24.80	24.62
Oct	24.80	24.75	24.95	24.78
Dec	25.14	25.11	25.35	25.12
Jan	25.30	25.25	25.30	25.31
Mar	25.82	25.65	25.85	25.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	221.9	223.7	223.5	221.1
Jul	221.4	223.4	223.8	221.0
Aug	218.7	220.8	220.7	218.0
Sep	216.0	217.2	217.5	214.5
Oct	211.0	213.0	213.5	210.5
Dec	209.4	210.7	212.0	208.5
Jan	208.7	209.7	209.5	208.5
Mar	208.0	208.0	210.0	208.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	279/4	277/4	279/4	277/6
Jul	275/0	274/0	276/2	274/0
Sep	265/0	264/4	265/4	264/2
Dec	261/4	262/2	262/6	260/4
Mar	268/0	268/4	268/6	267/2
May	270/0	270/2	271/2	269/4
Jul	271/6	272/2	272/4	271/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	426/4	426/0	428/2	425/4
Jul	414/6	414/0	416/0	412/6
Sep	421/0	420/0	422/0	419/0
Dec	433/2	432/2	433/6	430/6
Mar	438/0	436/4	438/0	436/0
May	428/0	427/0	428/0	428/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	72.07	72.42	72.62	71.82
Aug	68.10	68.42	68.70	67.92
Sep	68.40	68.40	68.50	0
Oct	69.95	69.95	70.17	69.75
Dec	71.07	71.00	71.20	70.87
Feb	71.70	71.70	71.70	71.40
Jun	72.00	72.00	0	71.95

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	48.30	48.17	48.40	47.85
Jul	48.42	48.82	48.70	48.15
Aug	47.22	47.12	47.40	47.00
Oct	44.12	43.90	44.25	43.82
Dec	45.55	45.75	45.85	45.50
Feb	46.97	46.87	47.02	46.70
Apr	45.02	44.92	45.02	44.92
Jun	47.80	47.70	47.85	47.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	35.80	34.00	36.00	34.15
Jul	35.75	33.85	35.85	34.15
Aug	38.37	33.42	35.40	33.70
Feb	50.80	49.27	51.27	49.45
Mar	50.40	48.40	50.40	50.00
May	51.50	49.50	51.50	0
Jul	51.00	49.80	51.00	0
Aug	49.25	48.25	49.25	0

LONDON STOCK EXCHANGE

Equities easier in nervous trading

THE UNEASY mood persisted in the UK stock market yesterday as managers of the big investment funds reacted cautiously to uncertainties over the dollar and the continued weakness on Wall Street. Firmness in financial stocks, against the trend of the rest of the market, reflected a move towards risk averse issues in a market which has begun to react sharply to disappointing corporate news.

This week presents a significant test of equity market confidence as a number of leading UK companies report trading progress for a period likely to show the effects of high domestic interest rates. The market has already reacted uncomfortably this week to discouraging news from English China Clay, BAA and McCarthy & Stone.

A major hurdle comes this morning, with first quarter results from British Petroleum and Shell – equities dipped smartly at mid-session on hints, generally disbelieved, that BP planned a rights issue.

The FT-SE Index, on the downside throughout the session, closed above the worst at 2,117.0, a loss of 5.1. With the New York market uncertain in early deals as it waited news from the auction of ten year Federal securities, London closed on a quiet note.

The renewed tension in the US dollar, together with Wall Street's eight downward sessions and inability to hold onto the Dow 2,400 mark, has turned London's attention back towards international influences on the UK market.

At Salomon International, Michael Howell commented that foreign investors may have been upset by the reappearance of industrial labour tensions in the UK. BZW, the UK securities house, pointed out that since February the UK equity market stands "head and shoulders" above other major international markets in the performance tables, and that the key yardstick now is the Dow.

London money market rates were more subdued yesterday but two securities houses, Kleinwort Benson and Warburg Securities, repeated their views that "14 per cent base rates are coming", questioning market confidence that rates have peaked at their current 13 per cent levels.

Consolidated Gold Fields eased in thin trade as American Barrick Resources denied hints circulating in London that it was about to bid for Newmont Mining in the US, – a development which could, even at this stage, bring victory for Minorco's £3.5bn offer for Gold Fields.

BAA, operator of UK airports, continued to fall as City analysts waited to see if the group has run foul of the UK Monopolies and Mergers Commission. An almost lone firm spot among leading stocks was British Aerospace, encouraged by optimistic comments from the chairman at the annual meeting.

Account Dealing Dates		
First Dealings: Apr 17	May 2	May 15
Option Declarations: May 4	May 18	Jun 1
Last Dealings: May 5	May 19	Jun 2
Account Day: May 15	May 30	Jun 12

New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	May 10	May 9	May 8	May 5	Apr 4	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.56	86.52	86.85	86.85	86.92	88.83	89.29 (6/2)	85.84 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.36	97.54	97.27	97.59	97.50	97.85	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1763.4	1767.8	1762.7	1770.9	1758.1	1408.4	1770.9 (5/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	173.3	174.4	174.7	174.3	173.7	197.3	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.44	4.42	4.43	4.41	4.44	4.64				
Earning Yld %(full)	10.81	10.77	10.79	10.74	10.81	12.03				
P/E Ratio(Net)(*)	11.17	11.21	11.20	11.24	11.17	10.19				
SEAQ Bargains(5pm)	24,128	28,024	27,059	34,315	28,243	26,882				
Equity Turnover(£m)†	-	1274.35	1110.60	1175.81	1398.78	1224.68				
Equity Bargains†	-	30,683	32,422	37,023	30,856	27,134				
Shares Traded (ml)†	-	509.0	496.5	523.9	509.2	334.9				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1768.2	1765.1	1765.6	1764.0	1760.1	1760.8	1761.2	1761.0

DAY'S HIGH 1767.3 DAY'S LOW 1758.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.08 †Excluding intra-market business.

S.E. ACTIVITY

Indices	May 9	May 8
Gilt Edged Bargains	89.1	87.5
Equity Bargains	186.8	210.1
Equity Value	2525.9	2244.8
5-Day average		
Gilt Edged Bargains	88.9	86.9
Equity Bargains	207.1	207.5
Equity Value	2397.8	2284.8

● London Report and latest Share Index: Tel. 0898 123001

BP weak ahead of figures

BP was said by traders to have been partly responsible for the marked weakness of the equity market around midday when stories of a sizeable rights issue – to accompany the first quarter figures expected today – went round the City. The rumour, it was said, emanated from the traded options market.

BP shares, trading around the 279p mark for much of the morning, suddenly fell back to 275p on the rights issue stories. The fund raising, according to market accounts, was to pay for the compulsory reduction of the KIO stake from around 22 per cent to below 10 per cent. Dealers, sceptical of the rights hints, said the speculation was accompanied by a number of hefty selling orders, but that these quickly dried up. The share price then steadied and eventually closed a net 3 off at 278½p on turnover approaching 7m.

Oil sector specialists also shrugged aside the rumours but said the shares could have been unsettled by news that the Alaskan Senate had raised the state's Severance Tax and that BP would be adversely affected. "Over a full-year it could cost BP possibly $100m pre-corporation tax, reducing to $50m-$60m post tax, or some £35m," said one analyst. He added that the move was "more a loss of a benefit than an imposition, just an irritation."

Another story was that the imminence of a second tranche of BP's issue of Prudhoe Bay royalty units had been misinterpreted as a cash raising issue via a rights. The first tranche of the royalty units was sold around two months ago.

Berisford news

The revelation that Mr Larry Goodman, the Irish meat millionaire, had increased his stake in foods group Berisford International from 7.4 per cent to just over 9 per cent caught dealers by surprise. It was announced later – after the market had closed – that two directors on the Berisford board had resigned, and that the company is to reorganise its property division.

As for the Goodman stake, last week the sighting of a large line of Berisford stock sold into the market had led some observers to conclude that the Irishman was lightening his holding. News of the increased stake helped Berisford buck the market trend, and the shares closed a shade better at 158p.

Analysts were mostly left scratching their heads as to why Mr Goodman should add to his stake. The only thing that could interest him was the British Sugar subsidiary, said one researcher, "otherwise the overlap of Goodman's business with Berisford is almost non-existent."

However, Mr David Lang of Henderson Crosthwaite – the one analyst who said he was not surprised by the increase in the stake – pointed out that Mr Goodman does have ambitions to move into the world of European agricultural commodities, and Berisford's British Sugar subsidiary could be a genuine target. "But who's to say what might happen next," concluded Mr Lang, a thought echoed by Mr Carl Short of Kitcat & Aitken, who borrowed from Winston Churchill to describe Mr Larry Goodman as "a puzzle inside a mystery wrapped up in an enigma."

Unitech hints

Unitech, the electronics components and equipment group, was among the market's best performers, the shares racing ahead to a year's best of 355p before closing 20 stronger at 351p; dealers said there had been heavy speculative buying of Unitech shares, particularly from Switzerland.

Dr Tito Tettamanti, based in Switzerland, recently revealed he and his associates had built up a stake of more than 8 per cent in Unitech, where another Swiss group, Elektrowatt, has a 29.9 per cent holding.

"With the Swiss arbs getting back in it seems likely that Dr Tettamanti has been back in the market, or will be pretty soon," was the comment from one close observer of the company. Last month Unitech paid £20m (£11.7m) for Wells Electronics, a US manufacturer of electronic connectors.

Eurotunnel units gained 17 to 898p in active trade as Salomon Brothers introduced 25m new three year covered warrants.

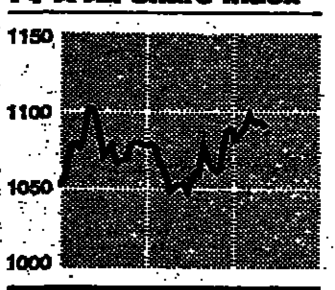
The banks continued to outperform the rest of the market. "It's been the same all week, institutions are still turning to the banks, they are fundamentally cheap against the market," said one specialist salesman. Kleinwort Benson were among the major securities houses giving the sector a push; Mr Norrie Morrison and Mr Graeme Moyse rate Barclays and NatWest as buys. On the sector the KB team says it expects the traditional seasonal outperformance prior to the interim results. "Over the last ten years," KB says, "the sector has outperformed in May 50 per cent of the time and by a very conclusive 85 per cent during June."

Barclays moved up 7 to 464p, NatWest 8 to 613p and Lloyds, still helped by the Citicorp recommendation, added 4 more at 380p.

Allied Irish Banks' preliminary figures, showing preliminary profits up from IR£124.9m to IR£155.7m, were well received with the shares up 5 at 323p.

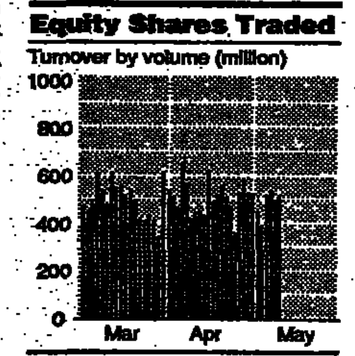
Commercial Union's first quarter figures left the share price unmoved at 383p in vigorous trading which saw some 3.3m shares change hands. Insurance brokers showed Sedgwick up 3 at 249p amid talk that the group may be about to announce the sale and leaseback of its London headquarters.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Investors continued to back away from the international blue chips in the face of the confusion over the outlook for the US dollar.

With the market convinced that the merger with SmithKline Beckman is all but signed, sealed and delivered, **Beecham** traded quietly, easing 3 to 619p. **Fisons** at 295p lost 1, still overshadowed by the sell circular from a leading UK house.

However, with the German mark firm against the pound, **ICI** stood out against the market trend, adding 5 to 1219p.

The speculation over a rights issue from BP upset the rest of the oil sector where **Shell** slipped back to 396p before steadying and closing only a fraction easier at 398p after turnover of 2.2m shares. UBS Phillips & Drew are forecasting net income from Shell of £1.25bn, Kitcat & Aitken £1.2bn, BZW £1.035bn and Kleinwort Benson £1bn.

Ultramar were a vulnerable market and dipped 3 to 313p, upset by hints that Sir Ron Brierley could be considering reducing his near 14 per cent stake in the oil group; one dealer said: "If you listen to every rumour about the Brierley stake, he's been selling his shares for the past couple of years."

Tuesday's major casualties in the building sector, sheltered housing groups **McCarthy & Stone** and **Anglia Secure Homes**, remained under strong downward pressure after the former's profits warning issued along with the interim figures.

McCarthy shares dipped further to 245p before settling a net 5 lower at 246p.

Among quietly traded Stores **Lowndes Queensway**, the furniture and carpets retailer, reported interim profits of £9.1m, down from £16.9m at the same stage last year, and the sale of London toyshop Hamleys for £22m to Larchwood. The market reacted initially by sending Lowndes 3 lower to 39p as the company warned that current sales were below expectations, but the price recovered later in the day to end ¼ better at 42½p.

Fashion group Etam also performed well against the market, rising 9 to 184p; UBS Phillips & Drew, the company's broker, is hosting a presentation in Scotland next week. Trading in T & S Stores, the tobacco, cards, newspaper and confectionary retailer, was suspended with the shares standing at 143p. The company is said to be deep in negotiations over a "major" acquisition, and market sources suggested that two Next-owned newsagents, Alfred Preedy or Dillons, could be part of a deal which should be finalised in the next few weeks.

Turnover in the leading electronics kept up well but was said by dealers to have fallen below the recent high levels of activity. **Racal Electronics** came under slight pressure and settled 4 down at 467p.

British Aerospace became all the rage late, rising 19 to 631p as news filtered through of the chairman's comments at the annual meeting. On the other hand, **BAA** continued to suffer from a possible MMC referral over recently proposed price increases and fell 10½ further to 347½p.

The de-rating of **English China Clays** continued when Smith New Court concluded a sell note saying, "the slowdown in growth rate in European clay demand may be temporary but this together with the uncertainties created by higher interest rates for the construction releated divisions suggests that more cautious forecasts are appropriate and reinforces our argument that the premium rating is unwarranted." ECC shares lost 5 more for a three-day fall of 48 to 487p.

The demerger of **Hardy Oil & Gas** has not convinced the market nor has it enamoured investors, said a leading trader as **Trafalgar House** shares dropped 5 further to 381p. There has again been sizeable selling which fuels concern about the group's gearing, giving rise to fears of possible funding needs, he continued.

Armstrong Equipment found support after the disposal of its automotive suspension businesses in the UK and Spain to Tenneco for around £58m. Current bid speculation was not eliminated by the news and the shares rose 3 to 163p amid talk that any prospective bidder would have to pay up to 200p a share for the company.

Evans Halshaw scurried lower when the chairman warned at yesterday's annual meeting that the depression in the components aftermarket was deeper than expected with two subsidiaries operating well below the anticipated profit levels. The shares tumbled 36 to 293p.

WPP staged a technical rally, gaining 18 to 609p helped by US stories that the bid for Ogilvy Group could be thwarted by the appearance of a number of white knights, although American Express was not thought to be one of them. **Boase Massimi Pollitt** continued to pull higher and closed at 331p, compared with the 300p-a-share offered by French group BDDP, on speculation that US agency Omnicom Group could emerge as a friendly bidder or that BDDP is poised to increase its terms.

Chesterfield Properties put in a tremendous performance, climbing 102 to 955p after revealing a 35 per cent improvement in annual profits to £10.6m. The chief factor behind the surge in the share price was the massive rise in the company's net asset value.

Sharply increased annual profits enabled **Walter Runciman** (376p) to beat the trend, but **Mersey Docks & Harbour** units slipped on profit-taking to end 23 down at 705p.

Tootal traded nervously in heavy volume to close 3½ down at 132½p awaiting the next move in the bid situation; Coats Viyella's ultimatum for an agreed offer expires at midnight.

Trusthouse Forte continued to climb, the shares adding 3½ at 315½p on turnover of 2.8m. The refusal by French holiday group Club Med to confirm or deny rumours that it is planning a cross-shareholding agreement with THF was duly noted by dealers. Ladbroke fell 2 to 584p after launching a £140m Euro-convertible issue; dealers said they expect some investors to switch out of the ordinary shares and into the convertibles.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 25

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	5,300	166½	+½	Cookson	475	315	-2½
Allied-Lyons	1,700	456	-6	Courtaulds	412	323	
Amstrad	1,700	109		Dalgety	225	345	-2
Argyll Group	1,900	190	-2	Dixons	2,300	137	+1
Ass. Brit. Foods	56	346	-2	Eng. China Clays	815	487	-5
BAA	8,900	347½	-10½	Enterprise Oil	137	544	+1
BAT Inds.	518	543		FKI Babcock	372	164	
BET	670	281	-3	Fisons	729	295	-1
BICC	1,000	509½	-11½	Gateway Corp.	2,000	145	
BOC	821	499	-5	General Accident	190	953	-2
BPB Inds.	975	239	-1	General Elect.	765	236	-1
BTR	429	379	-1	Glaxo	834	1346	-16
Barclays	2,100	464	+7	Globe Inv.	336	174½	-½
Bass	398	955	-1	Glynwed Int.	251	307	
Beecham	3,000	619	-3	Granada	512	347	
Blue Circle	399	554	-3	Grand Met.	3,900	581	-1½
Boots	703	290	-4	GUS A	25	1040	-5
Brit. & Comm.	229	213		GRE	1,400	211	+1½
Brit. Aerospace	2,900	631	+19	GKN	379	385	+2
British Airways	600	202	-1	Guinness	1,800	482	+2
British Gas	2,500	179½	-1	Hammerson 'A'	4	786	-4
British Land	958	363	-6	Hanson	2,100	193¼	+½
BP	6,900	278½	-3	Harrisons & Cros.	3,200	174	-1
British Steel	3,600	86¼	+½	Hawker Siddeley	529	718	-6
British Telecom	7,500	268		Hillsdown Hldgs	3,600	273	+1
Burmah Oil	556	561		IMI	207	238	
Burton	3,500	207	-8	Imp. Chem.	311	1219	+5
Cable & Wireless	6,100	517½	-1½	Inchcape	342	269	-½
Cadbury Schweppes	1,500	354	-5	Jaguar	1,000	294	
Carlton Comms.	1,000	864	-9	Kingfisher	1,700	318	+1
Commercial Union	3,300	383		Ladbroke	1,200	584	-2
Cons. Gold Fields	620	1323	-5	Land Securities	248	580	-2

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
Laporte	32	428		Royal Bk of Scotland	440	385	+4
Legal & General	416	334	-1	Royal Insurance	572	421	+3
Lloyds Bank	2,200	380	+4	STC	2,500	330	-3
LASMO	251	462	-3	Saatchi & Saatchi	1,000	283½	-½
Lonrho	2,100	272		Sainsbury	726	236	-2
Lucas	1,000	625	-2	Scott & Newcastle	387	296	-2
MB Group	449	207	-1	Sears	4,800	117½	+½
MEPC	227	578	-3	Shell Transport	2,300	393	-½
Marks & Spencer	3,900	177	+1½	Siebe	25	473	-3
Maxwell Comm.	2,500	194	-3	Slough Ests.	421	334	-1
Midland Bank	3,300	345	-1	Smith & Nephew	2,800	133½	-3½
Nat. West. Bank	2,200	612	+7	Smiths Industries	274	304	-1
Next	898	146		Standard Chartered	746	536	+6
Northern Foods	16	300	-2	Storehouse	1,300	169	
Pearl	46	413		Sun Alliance	178	1188	+4
Pearson	341	714	-5	T&N	1,480	219	+4
P & O	398	674	-6	TSB	1,700	110	+½
Pilkington	1,900	237	-3	Tarmac	4,400	315	-12
Plessey	818	263	+1	Tate & Lyle	569	249	+1
Polly Peck Intl.	3,800	385	-7	Taylor Woodrow	373	634	-1
Prudential	609	181		Tesco	2,200	167	-4
RHM	219	349	-3	THORN EMI	104	700	-2
RMC	447	712	+2	Trafalgar House	4,700	381	-5
RTZ	785	526	-7	Trusthouse Forte	2,800	315½	+3½
Racal	4,100	467	-4	Ultramar	1,800	313	-3
Rank Org.	495	972	+5	Unilever	2,300	559	-11
Reckitt & Colman	101	1120	-4	United Biscuits	1,300	320	-5
Redland	1,000	550	-½	Utd. Newspapers	206	426	-9
Reed International	687	398	-4	Wellcome	1,800	476	-3
Reuters	1,600	755	-13	Whitbread 'A'	1,200	357	-5
Rolls Royce	4,900	191½	+2	Williams Hldgs.	889	270	
Rothmans	323	509		Wimpey	3,300	281	-2½

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (128). BRITISH FUNDS (3) LOANS (3) AMERICANS (4) CANADIANS (4) BANKS (3) BEERS (2) BUILDINGS (5) CHEMICALS (1) STORES (7) ELECTRICALS (7) ENGINEERING (5) FOODS (3) INDUSTRIALS (26) INSURANCE (1) LEISURE (3) MOTORS (3) PAPERS (2) PROPERTY (7) SHIPPING (2) TEXTILES (2) TRUSTS (20) OILS (3) OVERSEAS TRADERS (1) PLANTATIONS (1) MINES (3) NEW LOWS (26).

APPOINTMENTS

Rank Xerox managing director

■ Mr Bernard Fournier is to succeed Mr Roland Magnin at RANK XEROX as managing director from June 1. He has been deputy managing director at Rank Xerox, the photocopying business jointly owned by Xerox of the US and the British Rank Organisation, since February. Mr Magnin has been elected a corporate vice president at Xerox. He will assume many functions which were formerly the responsibility of Mr William F. Glavin, a Xerox vice chairman, who is retiring.

■ Mr Ian Tyler has been appointed group treasurer at STOREHOUSE. He is currently manager of financial accounting. Ms Sarah Laws has been promoted from assistant group treasurer to financial controller of Oppidan Estates, the joint venture property company with London and Edinburgh Trust.

■ VENTURE FACTORS, Haywards Heath, has appointed Mr Tony Cox as managing director of the new company. He was sales and marketing director of International Factors, a Lloyds Bank subsidiary. Mr John MacKenzie, previously head of client operations at International Factors, joins Venture Factors as operations director. Sales and marketing director is Mr John Peters,

Mr Michael Chapman has been appointed managing director of BANK OF MONTREAL CAPITAL MARKETS and NESBITT THOMSON DEACON INC in London. He was formerly vice chairman of Wood Gundy in the US.

also from International Factors. Mr Stephen Wood, finance director, joins from Lloyds Leasing. Venture Factors is 80 per cent owned by The United Bank of Kuwait.

■ Mr Ian Eggleden has been appointed managing director of the benefits consulting division of SEDGWICK FINANCIAL SERVICES. He was deputy managing director.

■ Mr Philip Elsegood has been appointed finance director of NATIONWIDE DIRECT MARKETING.

■ BOWTHORPE HOLDINGS has appointed Mr Adrian Lawrence as managing director of Wessex Advanced Switching Products, Havant. He was business development executive at the group's headquarters, and succeeds Mr Ron Turner who died in February.

■ CARPENTER'S has appointed Mr John Taylor as shop operations director. He was a divisional director of Kwik-Fit Holdings.

■ TARMAC construction management division has appointed Mr Richard Bennett as London operations director. He was with John Lelliott Management.

■ Mr Alec Webster, regional deputy chairman of British Gas Southern, has been elected president of THE CHARTERED ASSOCIATION OF CERTIFIED ACCOUNTANTS.

■ Mr Ernie Harvey has been appointed construction director of DECLAN KELLY HOMES. He was construction director with Super Homes, part of the Laing Homes Group.

■ Mr R.A. Laurenson has been appointed a non-executive director of JAMES FINLAY BANK. Mr G.R. Thomas, a non-executive director, will retire on May 24.

■ Mr Bo C.E. Ramfors, managing director, Skandinaviska Enskilda Banken, Gothenburg, and Mr Björgvin Vilmundarson, managing director, Landsbanki Islands, Reykjavik, have been appointed non-executive directors of SCANDINAVIAN BANK GROUP. They succeed Mr Jacob Palmstierna and Mr Helgi Bergs who have retired.

■ Mr Peter S. Houston has been made a non-executive director of BDA HOLDINGS. He was managing director of Technip UK, a member company of the French engineering and contracting group, Technip.

■ Prince Michael of Kent has joined the board of FIRST TECHNOLOGY.

■ Mr David Milner has been appointed managing director of CASTELL SAFETY INTERNATIONAL, the Halma safety division specialising in industrial safety systems.

■ Mr Bill Simpson has been appointed a director of DAWSON INTERNATIONAL. He will have particular responsibility for human resources and corporate affairs.

■ The AJS GROUP has appointed Mr Jeremy F. Atkinson as its group financial director. He was previously finance director of speciality chemical company, MTM.

■ Mr Ray Kemp has been promoted to managing director of LOCKTON SHOPS, twin audio retailing chains, Auditions and Wires. He joined Wires a year ago as general manager.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♠ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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حكم انتهى الأصل

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD. 01-405 8331						
Contrbl & Equity	5	65.12	65.42xd	69.59	+0.12	6.90
European	5	63.44	63.80	67.87	−0.15	0.10
Far Eastern	5	61.70	61.70	65.63	−0.07	0.78
Growth Inc	5	89.51	92.67	98.58	−0.35	1.38
Growth Acc	5	89.51	92.67	98.58	−0.35	1.38
Income Inc	5	82.53	84.31	89.69	−0.12	5.43
Income Acc	5	82.53	84.31	89.69	−0.12	5.43
Property Share	5	55.22	55.22	58.94	—	1.02
Smaller Co's	5	58.76	62.12xd	66.08	−0.15	1.44
Formerly KBD Trust Managers Ltd						
N th American	5	56.84	56.84	60.78	−0.41	1.76
International	5	45.47	45.47	48.62	−0.28	1.48
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	99.58	99.58	104.58		1.92
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	63.45	65.83	70.03	−0.25	2.78
YUTM UK Eqty Inc Tst	5¼	60.42	62.52	66.52	−0.07	4.60
YUTM Intl Gwth Tst	5¼	48.82	48.82xd	52.14	−0.38	1.06

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd					
Int'l Exec April 19	451.9	470.54			
Cent. Bd. of Fin. of Church of England##					
2 Fore Street, London EC2Y 5AQ 01-588 1815					
Inv Fund Apr 30		507.65			4.67
Fxd Int Sec Apr 30		141.15			10.13
Deposit Apr 30		100.00			12.45

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

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MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	99	Treas 10½pc 1989	99xd	.....	10.52	12.32
99	98	Exch 10pc 1989	99	.....	10.06	12.42
99	99	Exch 11pc 1989	99	+	11.06	12.25
97	95	Treas 5pc 1986-89	97	–	5.11	10.19
99	99	Exch 10¼pcCv '89	99xd	–	10.30	11.08
101	100	Treas 13pc 1990‡‡	100	.....	12.92	11.95
99	98	Exch 11pc 1990‡‡	99	.....	11.07	11.87
101	99	Exch 12½pc 1990	100	.....	12.45	11.98
93	91	Treas. 3pc 1990	93xd	+⅛	3.20	9.62
96	95	Treas 8¼pc 1987-90‡‡	96xd	–	8.54	11.71
98	95	Treas. 8pc Cv 1990‡‡	96½	.....	8.30	11.34
98	97	Treas. 10pcCv 1990	97	–	10.24	11.78
90½	87	Exch 2½pc 1990	90xd	.....	2.77	9.38
101	99	Treas 11¾pc 1991	100	.....	11.73	11.60
91	89	Funding 5¾pc '87-91‡‡	91¼	+	6.27	10.69
88¾	86	Treas. 3pc 1991	88xd	.....	3.39	9.35
100	96	Treas 10pc Cv '91‡‡	97	+	10.26	11.37
101	98	Exch. 11pc 1991	99	+	11.10	11.42
94	91	Treas. 8pc 1991	92xd	+	8.64	11.38
106	102	Treas 12¾pc 1992‡‡	103¼	+	12.29	11.10
99½	96½	Treas 10pc 1992	97	+	10.28	11.14
94	91½	Treas. 8pc 1992‡‡	92	.....	8.67	11.13
100¼	97	Treas 10½pc Cv 1992‡‡	98	.....	10.66	11.10
85	82¼	Treas. 3pc 1992	84¼xd	.....	3.56	8.98
105	102	Exch 12¼pc '92	103	.....	11.89	11.12
109¼	105	Exch 13½pc 1992	106	.....	12.65	11.03
94	90	Treas 8¼pc 1993	92	+	8.96	10.86
100	96	Treas 10pc 1993‡‡	97	.....	10.24	10.74
108¼	104	Treas 12½pc 1993‡‡	105	+	11.85	11.82
87¼	84	Funding 6pc 1993‡‡	85	+	6.99	10.08
113¼	109	Treas 13¾pc 1993‡‡	110xd	+	12.45	10.76
94	90	Treas 8½pc 1994	91	+	9.26	10.74
117	113	Treas 14½pc 1994‡‡	114	–	12.67	10.58
113	109	Exch 13½pc 1994	110	+	12.25	10.78

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100	96	Treas 10pc Ln 1994‡‡	97¼xd	+	10.23	10.59
110¼	106	Exch. 12½pc 1994	106	.....	11.70	10.77
96	92	Treas 9pc 1994‡‡	93xd	+	9.61	10.54
108	104	Treas 12pc 1995	105	.....	11.40	10.72
79	74½	Exch 3pc Gas 90-95	75	–	3.99	8.34
101	97½	Exch 10¼pc 1995	98	+	10.42	10.60
113	109	Treas 12¾pc 1995‡‡	110xd	+	11.59	10.57
119	114	Treas. 14pc '96	115	–	12.13	10.71
97½	93	Treas. 9pc 1992-96‡‡	94	+	9.56	10.20
126	121	Treas 15¼pc 1996‡‡	122	+	12.47	10.62
117	112	Exch 13¼pc 1996‡‡	112xd	–	11.75	10.60
101	96	Conversion 10pc 1996	97xd	+	10.24	10.44
118½	113	Treas 13¼pc 1997‡‡	114	+	11.62	10.53
104	99	Exch 10½pc 1997	100	+	10.47	10.44
95	90	Treas 8¾pc 1997‡‡	91	+	9.54	10.23
128	122	Exch 15pc 1997	124	+	12.10	10.62
100	95	Exch. 9¾pc 1998	96	+	10.07	10.30
84	80½	Treas 6¾pc 1995-98‡‡	81	–	8.27	9.88
134	128½	Treas. 15½pc '98‡‡	129	+	11.94	10.43
113	108	Exch. 12pc 1998	109xd	+	10.96	10.39
100	95	Treas 9½pc 1999‡‡	96	+	9.83	10.04
115	110	Exch. 12¼pc 1999	111	+	11.00	10.37
105	100	Treas. 10½pc 1999	101½xd	+	10.35	10.26
104	98	Conversion 10¼pc 1999	100xd	+	10.25	10.25
94	89	Treas. 8½pc Ln 2000‡‡	90	+	9.41	9.97
97	92	Conversion 9pc 2000‡‡	93	+	9.64	10.00
122	116	Treas 13pc 2000	117	.....	11.09	10.36
103	98	Treas 10pc 2001	99½	+	10.05	10.07
124	118	Treas 14pc '98-01	119xd	+	11.69	10.55
102	97	Conversion 9¾pc 2001	98	+	9.94	10.02
113	108	Exch. 12pc '99-02	109	–	10.96	10.41
104	99	Conversion 10pc 2002	100	–	9.95	9.93
102	97	Treas 9¾pc 2002	98	–	9.60	9.83
97	92	Exch. 9pc 2002	93xd	–	9.60	9.83
126	120	Treas. 13¾pc 2000-03	121	+	11.28	10.40
105	100	Treas 10pc 2003	101½	–	9.85	9.79
113	107	Treas. 11½pc 2001-04	108	–	10.57	10.19

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
24¼	21⅞	Dana Corp $1	23⅞	+⅛	$1.60	–	3.9
10⅞	854p	Data General	989p	–11	–	–	–
32¾	29⅜	Dun & Bradstreet $1	31	....	$1.74	–	3.3
35⅝	30½	Eaton Corpn 50c	34⅞	–⅛	h$2.00	–	3.3
10¼	8⅞	Echlin Inc	10¼	+⅛	70c	–	4.0
18⅝	16⅞	FPL Group 1c	18¼	–⅛	$2.20	–	7.0
32⅛	27⅝	Ford Motor $1	27⅞	....	$3.00	–	6.3
35¼	30⅞	GATX 62½c	35½	+⅛	$2.00	–	3.3
29⅛	24⅛	Gen Elect 63c	28⅞	–⅛	$1.64	–	3.4
567p	484p	♥General Host Corp $1	517p	+14	28c	–	3.2
25⅝	18⅛	Gillette $1	23⅛	–⅛	96c	–	2.4
759p	616p	Gt Am First Svs Bk $1	742p	–1	60c	–	4.7
19⅞	16⅞	Greyhound $1	19⅞	+⅛	$1.32	–	3.9
11½	847p	Hasbro Inc 50c	10¼	+⅛	16c	–	0.9
8½	6	Home Group $1	8⅛	–⅛	20c	–	1.4
46¼	32⅞	Honeywell $1½	46¼	+1⅞	$2.10	–	2.7
17⅝	15¼	Houston Inds.	17¼	–⅛	$2.96	–	10.0
74⅝	63⅞	IBM Corpn $1¼	65¼	....	$4.84	–	4.3
52p	45p	♥Image Storage/R.Svs.1c	47p	+2	–	–	–
23⅞	18¾	Ingersoll-Rand $2	23¼	–⅛	$1.04	–	2.6
29⅝	22½	Lockheed Crpn $1	28⅛	–⅛	$1.60	–	3.3
18⅞	15⅞	Lone Star Inds $1	17⅞	–⅛	$1.90	–	6.2
21¼	17½	Louisiana Land 15c	20¼	–⅛	$1.00	–	2.8
15⅛	11½	Lowe's 50c	14⅛	–⅛	48c	–	1.9
21⅞	15⅞	Manuf. Hanover $1	20⅝	+⅛	$3.28	–	9.3
17⅞	13⅞	Merrill Lynch $1	16¼	+⅛	$1.00	–	3.5
2253p	1910p	Molex Inc	2047p	+15	3.2c	–	–
23⅝	19⅛	Morgan (JP) $2½	21⅛	–⅛	$1.66	–	4.5
44¼	36⅛	NYNEX $1	43¼	....	$4.04	–	5.5
21⅞	19⅞	PHH Corp	21⅝	–⅛	$1.12	–	3.0
244p	220p	♥Pacific Agr	243p	....	–	–	–
22⅛	19	Pacificorp $3¼	22⅞	+⅛	$2.64	–	6.9
23⅛	16⅞	Pacific Telesis 10c	22⅞	–⅛	$1.76	–	4.5
19	15⅛	Pall Corp 25c	18½	–⅛	48c	–	1.5
50⅞	39⅞	Pennzoil 83 1/3c	50⅛	–½	$3.00	–	3.5
21⅞	17⅞	Premark Intl	21⅞	+⅛	60c	–	1.6
34⅞	28⅛	Quaker Oats $5	33½	–⅛	$1.20	–	2.1
26⅛	23⅛	Rep NY Corpn $5	25⅛	–⅛	$1.28	–	2.9
13⅛	11⅞	Rockwell Intl $1	13⅛	–⅛	72c	–	3.2
29⅛	21⅝	Southwestern Bell $1	28⅛	–⅛	$2.48	–	5.0
23⅞	17⅞	Sun Co. Inc. $1	23⅞	–⅛	$1.80	–	4.5
26¼	22⅞	TRW Inc 62½c	25⅞	–½	$1.72	–	3.9
19¼	14⅛	TW Services $5	19	–⅛	10c	–	0.3
31⅝	26⅛	Tenneco $5	31⅛	–⅛	$3.04	–	5.7
32½	28	Texaco $6.25	32⅞	–⅛	♦$3.00	–	5.4
25⅞	21⅝	Texas Instr $1	23⅞	–⅛	72c	–	1.8
71	58⅝	Time Inc. $1	68⅞	–⅞	$1.00	–	0.8
17⅛	15⅞	TRINOVA Corp	16⅞	–⅛	56c	–	2.3
20⅞	16	USX $1	19⅞	–½	$1.40	–	4.2
164p	126p	♥Unilab	162p	....	–	–	–
31⅛	22⅛	Utd. Technologies	30⅞	+⅛	$1.60	–	3.1
158p	128p	♥Utilitech Inc	134p	....	–	–	–
39	31½	US West	39	+⅛	$3.76	–	5.6
28⅞	22⅝	Waste Management $1	28⅛	+⅛	48c	–	1.0
17⅞	13⅛	Whirlpool $1	17⅝	+½	$1.10	–	3.6
20⅛	16⅞	Whitman Corp	20⅛	–⅛	96c	–	2.8
31⅞	28⅛	♥Woolworth $3½	30	–⅛	$1.64	–	3.2

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
157p	129p	♥ABM Gold Corp	139p	....	–	–	–
23½p	4½p	♥Abbot Energy Corp	12½p	....	–	–	–
13¼	902p	♥Amer Barrick Res.	11¼	....	–	–	–
3¼p	2½p	♥Amer Lightwave	2½p	....	–	–	–
19½p	12¼p	♥Armeno	15p	....	–	–	–
316p	94p	♥Ascamerica Hldgs	304p	–12	–	–	–
33½p	20p	♥Augmitto Explo	20p	–1	–	–	–
15½	12⅞	Bk Montreal	15¼	–⅛	$2.12	–	7.0
839p	655p	Bk Nova Scot.	823p	+1	84c	–	5.2
18¾	17	BCE	18⅝	....	$2.44	–	6.6

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

LONDON SHARE SERVICE

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INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¤¤ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield B Preference dividend passed or deferred. C Canadian. E Minimum tender price F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all, xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	97xd	+1
Craig & Rose £1.. γ	720	......
Finlay Pkg. 5p.. . γ	91	.....
Holt (Jos) 25p ... γ	1300xd	.....

IRISH

Cap 8½% Ln 1991 .	£97¾	+¼
9pc Cap Ln. 1996..	£97½	......
Fin. 13% 97/02. .	£118	......
Arnotts.	450	–5
Carrol (P.J.)....... γ	151	......
Hall (R. & H.).......	158	......
Helton Hldgs....... γ	79xr	+2
Irish Ropes.	202	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50

Oils

Brit Petroleum	21
Do Inc. Certs	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	48

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Profit taking hits dollar

PROFIT TAKING pushed the dollar lower on foreign exchanges yesterday amid some doubt about the future prospects for the currency. It was said in Tokyo that Japanese demand for three-year US Treasury notes, at Tuesday's part of this week's quarterly refunding auction, was disappointing leading to selling of the dollar in Tokyo.

There was a general pause for breath yesterday and a move towards consolidation after the dollar's recent strong performance. The rise has taken the dollar through the previous top of its range at DM1.90, but has inevitably led to fears the central banks are waiting to set a trap for holders of long dollar positions.

This may be the case, but according to a survey by IDEA, an international financial forecasting organisation, the dollar is expected to reach DM1.9700 this year. The view from the survey was that DM1.92 is not a natural peak and that the currency will move higher as fears fade that central banks will attempt to push the dollar back through DM1.90.

Idea's survey indicates the main factor limiting the dollar's advance over the next two months is likely to be US data and any increasing indication of a slowdown in the economy. The market does not appear to fear that any rise in West German or Japanese interest rates will hit the dollar.

In Frankfurt a tightening of credit conditions by the Bundesbank led to suggestions that the German central bank is considering another rise in key interest rates. The possibility of a rise in Swiss interest rates is also not ruled out. This led to a firming of the Swiss franc against the D-Mark, in spite of doubts that the Swiss National Bank would wish to make a move putting upward pressure on politically sensitive mortgage rates and rents.

There were no new data or other factors to influence the dollar yesterday and although today's figures on US retail sales are expected to be strong, it is not expected these will have any great impact. A survey by MMS International points to a rise of 1.0 per cent in April retail sales compared with only 0.1 per cent in March. If any figure has an impact this week, it is most likely to be Friday's announcement of April US producer prices.

As the market took profits, the dollar closed weaker in London, falling to DM1.9050 from DM1.9155; to Y134.40 from Y134.80; to SFr1.6925 from SFr1.7040; and to FFr6.4325 from SFr6.4675. On Bank of England figures the dollar's index fell to 69.2 from 69.4.

Sterling lacked any fresh impetus, but appeared to shrug off fears that industrial unrest is growing in the UK. The pound gained from the weakness of the dollar, rising 1.15 cents to $1.6720 and it also had a firmer tone against most other major currencies. It rose to DM3.1850 from DM3.1800; to Y224.75 from Y223.75; and to FFr10.7550 from FFr10.7400, but was unchanged at SFr2.8300. According to the Bank of England sterling's exchange rate index rose 0.2 to 95.0.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May.10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5905	+2.67	+0.97	±1.5344
Danish Krone	7.85212	8.10291	+3.19	+1.49	±1.5404
German D-Mark	2.05853	2.08214	+1.15	-0.55	±1.0981
French Franc	6.90403	7.03425	+1.89	+0.19	±1.3674
Dutch Guilder	2.31943	2.34701	+1.19	-0.51	±1.5012
Irish Punt	0.768411	0.778609	+1.33	-0.37	±1.6684
Italian Lira	1483.58	1517.76	+2.30	+1.30	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

May.10	Latest	Previous Close
£ Spot	1.6680-1.6685	1.6645-1.6652
1 month	0.38-0.37pm	0.39-0.37pm
3 months	1.20-1.18pm	1.19-1.16pm
12 months	4.15-4.05pm	4.25-4.15pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

May.10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6645-1.6730	1.6715-1.6725	0.38-0.36cpm	2.66	1.20-1.16pm	2.82
Canada	1.9730-1.9825	1.9810-1.9820	0.05dis-0.05cpm	0.10	0.72-0.50pm	0.52
Netherlands	3.58¼-3.59¼	3.58¼-3.59¼	1½-1¼cpm	5.72	5-4⅞pm	5.43
Belgium	66.45-66.80	66.60-66.70	26-24cpm	5.40	80-76pm	3.24
Denmark	12.37-12.39½	12.38¼-12.39¼	4¼-3¾orepm	3.81	11⅝-10⅞pm	3.63
Ireland	1.1860-1.1930	1.1890-1.1900	0.40-0.35cpm	2.40	1.10-1.00pm	2.65
W. Germany	3.18-3.18¼	3.18¼-3.18½	1½-1½pfpm	5.89	4⅞-4¾pm	6.04
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is convertible francs. Financial franc 66.85-66.95. Six-month forward dollar 2.33-2.28pm 12 month 4.18-4.08pm

STERLING INDEX

	May 10	Previous
8.30 am	94.9	94.9
9.00 am	94.9	95.0
10.00 am	94.9	95.0
11.00 am	94.9	95.0
Noon	94.9	95.0
1.00 pm	95.0	94.9
2.00 pm	95.0	94.9
3.00 pm	95.0	94.8
4.00 pm	95.0	94.8

CURRENCY RATES

May.10	Bank rate %	Special* Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates are for May.9

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May.10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6645-1.6730	1.6715-1.6725	0.38-0.36cpm	2.66	1.20-1.16pm	2.82
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.95-40.05.

CURRENCY MOVEMENTS

May 10	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for May.9

EURO-CURRENCY INTEREST RATES

May.10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 10⅛-9⅞ per cent; three years 10⅛-9⅞ per cent; four years 10⅛-9⅞ per cent; five years 10⅛-9⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

May 10	£	$
[illegible]	[illegible]	[illegible]
S. Af (Fn)	6.9560-7.1045	4.1665-4.2556
Taiwan	45.80-46.15	25.75-25.80
U.A.E.	6.1145-6.1180	3.6720-3.6730

*Selling rate

EXCHANGE CROSS RATES

May.10	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.505	0.844	1.607	113.4	5.426	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.500	2.509	4.779	337.3	16.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling edges firmer

SHORT STERLING prices were marginally firmer in Liffe trading yesterday, after a small decline in cash market rates. However, the extent of the rise in contract prices was limited because most traders see little likelihood of a fall in interest rates just yet, and certainly not before the maturity of the near contract in June.

Consequently, any improvements are likely to be clipped back as investors take profits at the higher levels. The June price touched a high of 86.95 yesterday before slipping back to finish at 86.92 compared with 86.87 at the opening and 86.89 on Tuesday.

West German bond futures finished on a firmer note as a stronger D-Mark helped to relieve upward pressure on cash rates. The June bond price recovered from a nervous start to finish at 93.23, up from 93.09 at the opening and 93.15 on Tuesday.

US Treasury bond futures were lower ahead of the $9.5bn 10-year US Treasury note auction, held after the close of business in London. Values in the cash market were marked down in order to draw bidders into the auction. The June futures price slipped to 89-13 from 89-10 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE £/$ OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		May 89 Vol	Last	Aug. 89 Vol	Last	Nov. 89 Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 52,564

A=Ask B=Bid C=Call P=Put

FT LONDON INTERBANK FIXING

(11.00 a.m. May.10)	3 months US dollars		6 months US Dollars	
	bid 9⅝	offer 10	bid 9⅝	offer 10

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

(Lunchtime)

Treasury Bills and Bonds

[illegible]	[illegible]	[illegible]	[illegible]

May.10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

May.10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 12½ per cent; three months 12⅜ per cent; Bank Bills (sell): one-month 12¼ per cent; three months 12⅛ per cent; Treasury Bills: Average tender rate of discount 12.2275 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 28, 1989. Agreed rates for period May 24, 1989 to June 25, 1989, Scheme I: 13.96 p.c. Schemes II & III: 14.43 p.c. Reference rate for period April 1 to April 28, 1989, Scheme IV&V: 13.209 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from May 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

%		%		%	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates steadier

UK INTEREST rates were relatively steady in London yesterday, reflecting a slightly more relaxed tone, as sterling showed an overall improvement in currency markets.

A weaker dollar relieved some of the upward pressure on interest rates in West Germany and Japan, and this helped the key three-month London interbank rate to finish at 12$\frac{15}{16}$-12⅞ per cent against 13-12⅞ per cent on Tuesday.

UK clearing bank base lending rate 13 per cent from November 25

The Bank of England forecast a shortage of around £450m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £327m. There was also a rise in the note circulation of £85m, and banks brought forward balances £110m below target. These were partly offset by Exchequer transactions which added £85m.

The forecast was revised to a shortage of around £500m, and the Bank gave assistance in the morning of £125m through outright purchases of eligible bank bills in band 1 at 12⅞ per cent.

A further revision took the forecast to a shortage of around £450m, and the Bank gave additional assistance in the afternoon of £91m through further eligible bank bill purchases in band 1 at 12⅞ per cent. Late help came to £110m, making a total of £326m.

In Frankfurt, the Bundesbank accepted bids of DM12.1bn at the latest sale and repurchase tender at between 6.2 per cent and 6.5 per cent. Successful applicants for the 28-day facility received their allocations yesterday, coinciding with a maturing facility which drained DM13.3bn.

In Amsterdam, the Dutch central bank added Fl 5.27bn to the money market through a six-day special advances facility at an unchanged rate of 6.7 per cent. The new agreement replaces a maturing facility of Fl 4.97bn.

Liquidity levels were reduced in Brussels when the central bank added BFr9.275bn through a 14-day repurchase agreement on Government paper, replacing an earlier facility of BFr14.075bn.

Interest rates were higher in Dublin after the Bank of Ireland, one of the leading commercial banks, increased its prime lending rate to 9 per cent from 8 per cent.

In New York, the US Federal Reserve added temporary reserves through customer repurchase agreements of $2bn. At the time of the intervention, Fed funds were trading at 9¾ per cent against 9$\frac{13}{16}$ per cent on Tuesday.

JOTTER PAD

CROSSWORD

No.6,931 Set by HIGHLANDER

ACROSS

1 The idiot sent back a hard scrubber (6)
4 Facial feature on a male oriental (8)
9 Obtain drink by enclosing foreign currency (6)
10 Hopeful stood for office during depression (8)
12 Killer is caught by misplaced greed here in France (8)
13 Initially not anticipating unpleasant sea-sickness (6)
15 Could turn south for tropical potatoes (4)
16 Thoughtful, like The Mirror? (10)
19 Criticise one who puts finger on American beggar (10)
20 One can reform an Indian (4)
23 Operating with telephone connection linked directly to computer (2,4)
25 Shrub starts bearing unusual berries (8)
27 Bedfordshire town hasn't died but is tottering (6)
28 Earlier, queen has followed protocol (8)
29 Reduce the volume of refuse (4,4)
30 Favourite rum issue (4-2)

DOWN

1 Sort of bodies heard offering freedom (7)
2 Secret Protestant test area in Arabian sultanate (9)
3 Carry off type of blood tube (6)
5 Socks in the pipeline? (4)
6 The problem is in the subtle difference (5)
7 What this sort of test indicates? (9)
8 Colonel is said to be a very eccentric person ...... (7)
11 ...... and dead funny with riders (7)
14 Deal arbitrarily with incorporated member, it's claimed (7)
17 Amusing or original fool (9)
18 Proceeds to provide assistance denied in the past (8)
19 Support Channel link with this result (7)
21 Too organised to be a loser, they say (4-3)
22 Sailor has a way with him in foreign parts (6)
24 As fitful as erratic source of intense light inside (5)
26 Would-be seducer turned to run (4)

Solution to Puzzle No.6,930

WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices May 10

MONTREAL
4pm prices May 10

Total Sales 6,091,163 shares.

INDICES

NEW YORK — DOW JONES

	May 10	May 9	May 8	May 5	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2374.45	2371.33	2376.47	2381.96	2418.99 (27/4)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.40	88.61	88.57	88.62	89.62 (8/2)	87.35 (23/3)	–	–
Transport	1112.06	1116.43	1120.96	1129.85	1144.08 (27/4)	959.95 (3/1)	1144.08 (27/4/89)	12.32 (8/7/32)
Utilities	191.74	192.09	192.39	192.86	192.86 (5/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2387.83 (2390.03) Low 2361.25 (2356.85)

STANDARD AND POOR'S	May 10	May 9	May 8	May 5	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	305.81	305.19	306.00	307.61	309.64 (28/4)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	352.15	351.35	352.24	354.16	357.49 (21/4)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	28.10	28.01	28.18	28.29	28.83 (21/4)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	171.13	170.80	171.26	172.14	173.13 (28/4)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	344.80	345.09	345.85	346.84	346.84 (5/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	429.64	428.97	429.32	430.74	430.74 (5/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 5	Apr 28	Apr 21	year ago (approx.)
Dow Industrial Div. Yield	3.51	3.45	3.46	3.54
	May 3	Apr 26	Apr 19	year ago (approx.)
S & P Industrial div. yield	3.08	3.08	3.05	2.94
S & P Indl. P/E ratio	13.64	13.60	13.62	15.35

TRADING ACTIVITY †Volume Millions	May 10	May 9	May 8
New York	146.600	151.074	131.730
Amex	10.552	710.36	10.248
OTC	(u)	135.654	(u)

NEW YORK	May 10	May 9	May 8
Issues Traded	2,790	1,955	1,941
Rises	859	612	503
Falls	715	804	957
Unchanged	1,216	539	481
New Highs	85	33	31
New Lows	44	25	24

CANADA
TORONTO

	May 10	May 9	May 8	May 5	1989 High	1989 Low
Metals & Minerals	3332.1	3309.5	3321.4	3313.5	3564.9 (6/2)	3207.5 (3/1)
Composite	3575.1	3568.9	03579.	3599.2	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1823.53	1819.01	1826.75	1837.39	1850.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Aros Prod	5,431,900	39⅞	+ 3⅞	AT&T	1,575,500	33⅝	– ¼
Pan Am	5,033,000	5	.....	Exxon	1,360,300	42⅛	.....
Blockbuster	2,278,200	26⅛	– 4	USX Corp	1,336,700	34	+ 1¼
Sw Pub Svc	2,050,300	25½	.....	IBM	1,288,400	109⅝	– ⅛
Gen Pub Utilities	1,845,400	36½	– ⅛	Texas Utilities	1,188,400	28⅛	.....

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 10	May 9	May 8	May 5	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1502.9	1501.8	1512.6	1510.7	1551.7 (31/1)	1412.9 (7/4)
All Mining (1/1/80)	673.8	674.7	680.3	682.1	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	320.23	318.66	317.89	316.32	320.23 (10/5)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	5980.58	5970.67	5944.77	(c)	5980.58 (10/5)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	308.52	308.58	306.72	308.58 (8/5)	275.49 (27/2)
FINLAND						
Unitas General (1975)	795.5	797.1	797.3	803.4	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	463.0	464.2	(c)	461.9	470.4 (24/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	108.9	109.3	(c)	109.0	111.3 (24/4)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	575.89	576.26	579.77	579.62	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1711.3	1712.0	1721.6	1722.0	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1365.78	1366.2	1380.07	1380.46	1394.62 (17/4)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	3280.98	3262.25	3268.54	3262.86	3280.98 (10/5)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	608.32	606.18	605.68	608.75	620.30 (24/4)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33992.35	34031.87	34135.24	(c)	34135.24 (8/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2535.08	2538.23	2544.60	(c)	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS TU. Rtn. Gen. (End 1983)	237.5	239.3	239.4	240.1	240.1 (5/5)	208.3 (3/1)
CBS All Shr (End 1983)	187.7	189.1	189.3	190.0	190.6 (27/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	638.37	644.43	644.82	646.46	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1280.67	1280.57	(c)	1282.52	1284.87 (3/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1463.0§	1445.0	1449.0	1462.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2514.0§	2521.0	2536.0	2569.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	303.57	303.76	303.33	301.41	303.76 (9/5)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3877.3	3879.2	3886.2	3892.4	3912.2 (6/4)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	676.4	675.9	680.2	667.6	686.0 (28/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	511.4	513.5	513.9	519.0 (17/2)	491.2 (28/3)

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks
Wednesday 10 May 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	50.0m	1,300	-10	Dainippon Ink	12.4m	970	uch
Sumitomo Metal	39.8m	941	-15	Mitsubishi Kakoki	11.8m	1,190	+70
Kawasaki Steel	19.4m	1,060	uch	Mitsui Eng & Shipbl	11.7m	988	-7
Meico	19.3m	1,160	uch	Nisshin Steel	11.6m	1,720	-40
Nissan	14.5m	1,570	+20	Hitachi	9.8m	1,650	-10

4pm prices May 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
29⅞	21¼	AAR	.44	1.5	19	114	29	28½	28½	- ½
10⅛	8⅜	ACM n	1.01	11.		221	8⅞	8¾	8⅞	
11⅞	10¼	ACMIn	1.26a	12.		496	10⅝	10½	10½	
10⅜	8½	ACM M	n1.01	11.		278	9	8¾	8⅞	
11½	10⅛	ACM Sc	1.28	12.		955	10⅝	10½	10½	- ⅛
10⅛	8⅞	ACMSp	n1.01	11.		396	8⅞	8¾	8⅞	+ ⅛
4⅞	2⅝	AMCA	.12e	3.0	27	35	4⅛	4	4	- ⅛
6⅛	3½	AM Int				3666	5⅞	5¾	5⅞	+ ¼
23½	18⅛	AM Int pf	2	8.9		9	22⅝	22½	22½	- ⅛
64⅛	39	AMR			7	3294	61⅛	60⅞	61	- ½
26⅛	25	ANR pf	2.67	11.		29	25⅛	25	25	- ⅛
24⅛	23	ANR pf	2.12	8.9		51	23⅞	23⅞	23⅞	+ ½
9½	4¼	ARX				57	4⅛	d 4⅛	4⅛	- ⅛
47	35¼	ASA	3a	7.3		150	41⅛	40⅞	41	
20¼	14¼	AVX	.24	1.2	10	644	20⅛	19¾	20⅛	+ ¼
56¼	42⅞	AbtLab	1.40	2.5	16	2943	56¼	55⅝	56	+ ⅛
19	15⅛	Abitibi g	1			18	17	17	17	
12	7½	AcmeC	.40	3.8		45	10½	10¼	10⅜	- ⅛
8	5⅞	AcmeE	.32	4.1	18	70	7⅞	7¾	7¾	- ⅛
32⅛	20¼	Acuson			24	149	31⅝	31⅛	31¼	
16⅞	14¼	AdaEx	1.82e	12.		357	15	14⅞	14⅞	
16⅞	7⅛	AMD				952	8¾	8½	8¾	+ ⅛
43½	29¼	AMD pf	3	9.1		13	33⅛	32⅞	32⅞	- ⅛
8⅝	6½	Adobe				6608	u 8⅞	8⅜	8⅞	+ ¼
18¼	16½	Adob pf	1.84	10.		39	18⅛	17⅞	17⅞	- ¼
21⅛	19⅞	Adob pf	2.40	12.		6	20⅛	20⅛	20⅛	- ⅛
8¾	5⅞	Advest	.12	1.7	16	85	6⅞	6⅝	6⅞	+ ⅛
54⅞	39½	AetnLf	2.76	5.4	8	737	51⅞	51½	51½	
49	24	AfilPb s	.22	.5		598	48½	47⅞	48	- ⅛
20	13¾	Ahmans	.88	4.6	9	1450	19½	19	19⅛	- ⅛
4⅝	2⅞	Aileen			18	6	3⅛	3¼	3¼	- ¼
53⅞	37¼	AirPrd	1.20	2.9	10	2332	41¼	40¾	41	
28⅞	15½	AirbFrt	.60	2.3	24	61	25⅝	25⅜	25⅝	

[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
3¾	2	Zapata				118	3	2⅞	2⅞	
27⅞	18⅝	Zayre	.40	1.4	185	7827	u28¼	27½	27⅞	+ ½
15½	10½	Zemex	.40	3.4	129	6	11⅝	11⅝	11⅝	+ ⅛
30	16½	ZenithE				944 1912	18¾	18¾	18⅞	
10⅜	8⅞	ZenInc	1.26	14.		104	9¼	9⅛	9⅛	
2⅛	1	vjZenLb				311	1¾	1⅝	1¾	
21⅝	15	ZenNtl	.80b	4.3	9	83	18½	18⅛	18½	+ ⅛
19⅞	13¼	Zero	.44	2.3	16	4	19¼	19⅛	19¼	+ ¼
29½	19	Zurnin	.68	2.4	16	252	28½	28¼	28¼	
11⅛	10	Zweig	1.07e	10.		286	10¼	10⅛	10¼	+ ⅛
10⅛	8¼	ZweigT	n.24e	2.7		548	9	8⅞	9	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices May 10

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
PresdB			118 25	4⅝	4½	4⅝	+ ⅛
Presd A	.10		101	4⅞	4½	4⅞	
PrceCm	.06e	1	72	6⅞	6¾	6⅞	+ ⅛
Prism			85	2⅞	2¾	2⅞	+ ⅛
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices May 10

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Wyman	.80	65 540	17¾	17¼	17½	− ⅛
– X – Y – Z –						
XL Dta s		26 110	18½	18	18½	+ ⅛
XOMA		195	15¾	15¼	15¾	+ ¼
Xicor		10 722	7¾	7⅝	7⅝	
YelowF	.70	10 440	27⅝	27⅛	27⅜	+ ¼
ZionUt	1.44	3	25	25	25	+ 1
Zycad		301	3¼	3⅛	3¼	+ ⅛

AMERICA

Dow breaks through after long run of daily declines

Wall Street

THE Dow Jones Industrial Average finally broke out of its long run of daily declines yesterday although the gain was minimal, *writes Janet Bush in New York.*

The index closed 3.12 points higher at 2,374.45 on low volume of 146m shares. In a very dull session, the Dow stuck within a 10 point trading range.

About the only point of interest in the market this week has been looking up historical records for strings of declines.

The last time the Dow fell for eight consecutive sessions was in August, 1982, and the last nine-day losing run was in February, 1978.

The drift downwards has been more notable for its rarity than for what is says about the state of the market.

The losses have been very small in the context of some of the very large daily fluctuations seen recently.

All financial markets were subdued yesterday. The US Treasury market drifted lower and remained in negative territory after the 10-year auction which was only described as fair.

The dollar also weakened modestly after its surge earlier this week above DM1.90, partly as Group of Seven officials in the US, Japan and Europe made a concerted verbal assault on the US currency.

The bond market may be the key to the equity market's performance for the rest of this week.

It was a sharp fall in bond futures on rumours that the three-year auction was going poorly on Tuesday afternoon which provoked the only real selling in an otherwise fairly stable day.

When the results of the three-year were announced and were better than people had anticipated, the Dow recovered some of its losses.

Bond dealers were expressing considerable concern yesterday about what interest would emerge at the 10-year and today's 30-year sale.

Financial markets were also bracing themselves for the publication today of April retail sales figures and tomorrow's April producer prices index.

These releases are expected to show both robust demand and higher inflation than in March.

The consensus forecast for retail sales is for a rise of 1.3 per cent due to a rebound in car sales related to incentive schemes. Sales were up by a marginal 0.1 per cent in March and fell 0.6 per cent in February.

The PPI is forecast to have risen by 0.7 per cent compared with a gain of 0.4 per cent in March.

April's PPI is expected to have been boosted by higher fuel costs, particularly gasoline prices.

Among featured stocks was Avon Products which received a $39 a share bid from Amway. Avon, whose stock rose $3⅞ to $39⅜, said it was not commenting at this stage on the offer.

Newmont Mining was one of the most actively traded issues on the New York Stock Exchange and jumped $1 to $40¼ on bid speculation.

Public Service of New Mexico added $⅝ to $11⅝ after its board approved an accounting reorganisation which would permit the issue of common stock dividends which have been suspended until the end of the year.

Honeywell dipped $1 to $76⅝, reversing some of its $3¾ surge on Tuesday.

The company declined to comment on this price volatility although there was speculation that it was related to a proxy fight by institutional investors seeking to overturn two anti-takeover proposals.

NWA dipped $⅝ to $103⅝ as investors continued to signal disapproval of any takeover by Pan Am.

Blockbuster Entertainment dropped $4 to $26⅛ in active trading after an assault on the company by analysts.

Canada

INVESTORS showed little interest and prefered to wait for tomorrow's US producer price index as Toronto share prices closed mixed in trendless trading.

The composite index gained 6.10 to 3,575.10, but declines outran advances 377 to 292.

On the active list, Laidlaw Class B declined C$⅛ to C$15⅛, and Bank of Nova Scotia rose C$⅛ to C$16⅝.

Sherritt Gordon fell C$⅛ to C$12⅞ as labour talks continued at its Alberta nickel mine.

EUROPE

Interest focuses on company figures and speculation

A STEADY flow of company results and sporadic speculation added interest to European bourses yesterday, but most ended lower nevertheless, *writes Our Markets Staff.*

FRANKFURT was enlivened by a lot of corporate news, but the general market ended mixed in volume worth DM3.7bn. The strong dollar, with its implications of a possible interest rate rise, kept trading cautious.

The DAX index slipped 0.44 to 1,365.78 and the FAZ index, based on midday prices, edged down 0.37 to 575.89.

BASF gained 50 pfg to DM303.50 after turning in better figures than its main rivals in the chemicals sector, Hoescht and Bayer. It announced group net profits up 25 per cent in the first quarter. Bayer rose 20 pfg to DM302 after Tuesday's report of a 20 per cent increase in first quarter profits.

VW picked up DM3 to DM513.50 after reporting a 25 per cent rise in first quarter profits and higher earnings per share for last year. The market was relieved when the group announced a DM800 warrant bond – the stock had been under pressure recently amid speculation that VW was planning a rights issue, said one analyst.

Elsewhere in the car sector, Daimler added to its previous day's losses, falling a further DM3 to DM654. It predicted unchanged profits in 1989 on Tuesday.

Deutsche Bank eased DM1 to DM550 after news of a 14.2 per cent rise in its first quarter profit and a possible issue of participation certificates with warrants attached.

MILAN was an "odd market" yesterday, according to one analyst. In spite of a general strike and the recent broker insolvencies, the market "seemed to be a little bit cheery," he said.

The strike, in protest at higher health charges, prevented many investors from participating and also meant that a lot of business was missing from the banking sector. Nevertheless, volume was reported to be slightly up on Tuesday's as foreign interest kept the market going. The Comit rose 2.14 to 608.32.

Toro Assicurazoni lost L200 to L20,400 after its parent company announced profit up 18.5 per cent. The insurance sector opened firmly after Generali's sharply higher results on Tuesday, before slipping back to end slightly up overall. Generali rose L90 to L41,410.

PARIS saw pockets of activity in individual stocks, but finished a generally quiet session near the day's lows.

The CAC General index, based on opening prices, was 1.2 lower at 463, while the session closed with the OMF 50 index off 1.75 at 475.11 and the CAC 40 index down 4.27 at 1,672.52. Volumes were estimated to be similar to Tuesday's FFr1.3bn.

Fives-Lille, the heavy engineering issue, was busy, rising FFr17.90, or 5 per cent, to FFr374.90 on turnover of 104,650 shares. The group is a potential takeover target and is rumoured to be in line for a couple of significant contracts.

Club Med jumped to a high for the year of FFr606, up FFr7, as speculation continued about possible share swaps or a takeover. Zodiac, which makes rubberised air chutes, went limit up for the second consecutive session, ending FFr23 higher at FFr1,154.

One analyst said investors were reluctant to play the market in such thin volumes; sentiment was generally positive but he expected the bourse to be dull in the near-term.

AMSTERDAM eased gradually to end off its low in a quiet session. The CBS tendency index slipped 2.5 to 179.1. Investors were discouraged by interest rate fears and stayed away in anticipation of tomorrow's US producer price index.

There was some activity in Unilever, off Fl 6.60 at Fl 132, and Royal Dutch, 70 cents lower at Fl 136.90. Both report results this week.

Bührmann Tetterode, the printing and packaging company trading ex dividend, declined Fl 2.90 to Fl 68. On Tuesday it announced a rights issue and higher first quarter profits.

Schuitema, the retailer, gained Fl 75 to Fl 1,625 after a former shareholder failed to regain his stake through court action. The verdict was said to enable Ahold, majority stake holder, to buy out remaining Schuitema shareholders.

MADRID took a breather after a five-session rally, with the general index slipping from its year high to close at 303.57, off 0.17.

The bolsa heard government estimates of a 12 per cent annual growth in cement consumption to 1992 and Asland picked up another 75 points to 1,795.

ZURICH was an interest rate story once again, closing weaker with few features other than worries that domestic interest rates might have to be raised.

The Crédit Suisse index fell 1.9 to 563.3.

BRUSSELS closed a moderately active session mostly firmer, with scarcity of blue chips spurring demand for smaller companies reporting strong annual results.

The cash market index hit another annual high of 5,980.58, up 9.91 points.

Leading holding Société Générale edged BFr5 lower to BFr4,690 after announcing a BFr2.4bn group loss in 1988.

OSLO closed generally lower, depressed by news of higher-than-expected domestic inflation figures and by profittaking after recent gains.

The all-share index lost 3.23 points to 489.23 in moderate trading worth NKr497.4m.

Saga Petroleum, which reported receding operating profit of NKr158 in the first quarter compared with NKr17m, retreated by NKr3 to NKr141.

Norsk Hydro fell NKr2.5 to NKr167.

HELSINKI fell for the seventh successive day in very quiet trading, with the Unitas all-share index falling 1.6 to 795.5. There were 53 rising and 60 falling stocks, with volume a poor FM34m.

STOCKHOLM ended virtually unchanged in very slow and cautious trading before a government news conference on anti-inflation measures.

ASIA PACIFIC

Nikkei slips as turnover weakens

Tokyo

SPECULATION about higher interest rates, together with arbitrage activity, undermined an early show of strength and share prices slipped on very thin volume yesterday, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average made a strong start in early trading, adding over 100 points in the morning to a new high of 34,153.57. Later, unwinding of arbitrage positions by foreign securities firms led the index downwards, closing at 33,992.35, off 39.52. The day's low was 33,988.23. Declines outnumbered advances by 482 to 406 while 204 issues were unchanged.

Turnover fell sharply to 865.75m shares from the 1.02bn traded on Tuesday. The Topix index of all listed shares declined 3.15 to 2,535.08, while the ISE/Nikkei index added 0.67 to 2,011.70 in London trading.

In addition to the arbitrage moves to sell cash and buy futures, another factor that pulled the Nikkei index lower was speculation that the increase in the official discount rate would be greater than has been expected.

Recently, the market has remained calm in the face of growing expectations that there would be an increase in the official discount rate: it was said that a rise of ½ percentage point had already been taken into account. Yesterday, speculation that the increase would be 1 point – and that it could take place as early as tomorrow – rekindled fears about the effects such a rise would have.

Furthermore, although the dollar was slightly weaker against the yen, the recent strength of the US currency raised concerns about the effects a high dollar could have on inflation in Japan.

As these concerns resurfaced, investors took profits or stayed on the sidelines, in spite of the market's promising early gains.

Widespread interest in cyclical buying continued. In the absence of strong market leaders, investors have moved quickly from one sector to another. Many analysts expected this directionless trading to continue until clear market leaders emerge.

Electricals were selected in early trading but later succumbed to profit-taking. Interest in such stocks stemmed partly from higher earnings prospects and partly from speculation that blue-chip electricals will be selected by public funds, such as pension funds and postal savings, entering the market.

Toshiba, first on the most actives list for the second consecutive session with 50m shares traded, rose Y20 to Y1,330 during the day but closed down Y10 at Y1,300.

Among electricals, Sanken, a leading maker of semiconductors, advanced Y80 to Y1,190. It was selected as a lagging issue, as well as on the strength of buoyant demand for its home electric appliance parts.

Large-capital issues were weak. Sumitomo Metal, second most actively traded with 39.8m shares, dropped Y15 to Y941. Kawasaki Steel, third in volume terms with 19.4m shares, was unchanged at Y1,060.

High technology issues suffered from profit-taking in Osaka. The OSE average lost 40.73 to 33,031.29 as turnover dropped to 75.59m shares against 86.63m traded on Tuesday.

Roundup

LEADING Asian Pacific markets ended higher after reversing early losses caused by the overnight decline on Wall Street.

AUSTRALIA opened lower after Wall Street's decline the previous day, but strong industrial stocks helped the market rebound to end slightly higher.

Bond Corporation declined sharply, falling 10 cents, or 9 per cent, to A$1 as 1.1m shares changed hands. It denied a report that it might shift its brewing interests into Bell Resources in order to reduce the parent group's debt.

Among companies controlled by the group, Bond Media and Bell Resources were both unchanged at 33 cents and 89 cents respectively, while the Bell Group added 13 cents to 78 cents.

The industrial sector performed well after profit-taking on Tuesday. Brambles gained 15 cents to A$12.40, News Corp rose 10 cents to A$12.35 and Coles Myer added 10 cents to A$8.56.

ANI, facing a takeover bid from Consolidated Press, fell 2 cents to A$2.55 on turnover of about 502,000 shares.

The All Ordinaries index edged up 1.1 to 1,502.9 in moderate turnover of 91m shares worth A$198m.

HONG KONG bounced back from an early fall, although trading remained lacklustre. Blue chips helped the Hang Seng index end 18.73 higher at 3,280.98 after dropping 15.04 points in the morning.

Turnover declined from Tuesday's HK$1.79bn to HK$1.59bn worth of shares – about HK$665m of which was traded in the final half an hour.

Hongkong Land was again the most active stock, rising 20 cents to HK$12.70.

SINGAPORE ended slightly higher in moderate activity, after bargain-hunting recouped early losses which had followed Wall Street's overnight drop. The Straits Times industrial index edged up 0.10 to 1,280.67.

SOUTH AFRICA

GOLD shares closed slightly firmer after a generally trendless day, propped up mainly by local currency weakness and a steady bullion price.

Other minings and mining financials mostly followed golds, but industrials drifted aimlessly in lacklustre trading in response to the tightening of monetary policy announced last week.

Jamaica proves a hot spot as shares top highs

Hilary de Boerr on the surge in corporate and political optimism

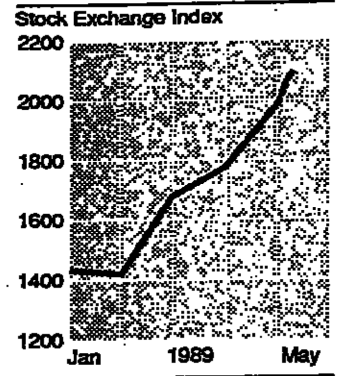
THINGS are hotting up in Jamaica's emerging stock exchange, one of the smallest in the world.

In the past three trading sessions, the market has notched up daily all-time highs, breaking the 2,000 level on the stock exchange index for the first time ever. A week ago on Tuesday, when it passed the previous all-time high of 1,939.85 set in February 1987, it did so in style, soaring by a record 91 points.

Several factors lie behind Jamaica's jump, which has taken share prices about 45 per cent higher this year.

Jamaica

Stock Exchange Index



The economic fundamentals are promising. Companies are reporting sharply higher profits, with an average rise of more than 30 per cent last year, according Mr Wain Iton, general manager of the Jamaica Stock Exchange.

New reporting requirements have also aided sentiment, with companies having to report quarterly results for the first time in March this year, instead of the previous half-yearly requirement.

Analysts agree that the sharp rise in corporate earnings has not yet fed through fully into share prices, which are still considered to be undervalued, after falling in 1987 and 1988.

Price earnings ratios currently stand at 8-9, compared with the 12-15 seen in early 1987.

Politics has also played a large part in the present rally, which was unleashed by the general election in early February. Initial concern over possible anti-business policies from Mr Michael Manley, leader of the newly-elected social democratic People's National Party (PNP), soon dissipated on indications that the status quo would be maintained.

One analyst said: "The business community was concerned about the PNP and the (market's) decline continued until the election. The PNP said it would allow things to remain as is for big business and stocks were so cheap that people started to buy. They've been climbing steadily since then."

Domestic institutions have been buying madly after a two-year hiatus, according to Mr Oliver Chen, director at Paul Chen-Young & Co, the Kingston-based brokers, with demand inspired not only by the good political scene and economic fundamentals but also by the feeling that the inflation rate is on the way up and that stocks might prove a good hedge.

The stock market index closed at 2,092.23 on Tuesday – trading takes place on Tuesdays and Thursdays only – and probably has further to go, said Mr Chen.

He anticipates a fresh injection of liquidity into the market next month as a result of the public offer by Lascelles de Mercado, the holding company, for the remaining 49 per cent of Ray Nephew Group, the rum and liqueurs producer, at a cost of about J$120m (US$21.7m). About 30 per cent of the sum could make its way back into the market and boost share prices, said Mr Chen.

The Jamaican market is capitalised at J$6bn and covers 45 listed companies. The largest is the Bank of Nova Scotia (Jamaica), with a market capitalisation of about J$1bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 10 1989						TUESDAY MAY 9 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (69)	135.79	−0.1	120.41	113.95	+0.4	4.89	135.88	121.32	113.55	157.12	128.28	120.38
Austria (19)	123.64	+0.8	109.63	122.43	+0.3	2.10	122.61	109.48	122.07	124.16	92.84	90.89
Belgium (53)	133.01	+0.7	117.94	131.20	+0.1	4.15	132.07	117.92	131.10	137.10	128.52	126.25
Canada (127)	134.66	+0.2	119.41	115.50	−0.1	3.40	134.42	120.02	115.59	137.27	124.67	118.81
Denmark (38)	181.03	+0.4	160.52	182.51	+0.0	1.83	180.30	160.99	182.51	181.03	165.35	120.64
Finland (26)	150.66	+0.3	133.59	134.06	−0.2	1.56	150.21	134.11	134.32	159.16	125.81	130.29
France (130)	117.87	+0.0	104.52	118.93	−0.5	3.13	117.86	105.23	119.57	122.79	112.57	88.76
West Germany (100)	85.17	+0.6	75.52	84.35	+0.0	2.37	84.69	75.61	84.34	90.40	81.77	72.51
Hong Kong (49)	139.42	+0.8	123.63	139.24	+0.7	3.84	138.37	123.55	138.22	139.42	111.80	101.01
Ireland (17)	146.12	+0.4	129.56	146.59	−0.3	2.87	145.48	129.89	147.00	151.36	125.00	122.79
Italy (98)	80.24	+0.9	71.15	83.19	+0.3	2.53	79.56	71.04	82.95	86.88	78.16	74.88
Japan (455)	191.22	+0.2	169.56	162.45	−0.1	0.47	190.89	170.44	162.66	200.11	180.30	173.17
Malaysia (36)	182.29	−0.2	161.64	189.24	−0.4	2.52	182.70	163.13	190.02	182.70	143.35	130.36
Mexico (13)	180.74	−0.6	160.27	483.26	−0.1	1.04	181.85	162.37	483.85	182.88	153.32	134.09
Netherland (42)	118.13	−0.2	104.75	115.71	−0.8	4.45	118.42	105.74	116.61	122.22	110.63	104.70
New Zealand (24)	71.71	−0.2	63.59	61.36	+0.0	5.97	71.89	64.19	61.38	76.02	66.84	77.52
Norway (26)	184.66	−1.0	163.74	172.56	−1.4	1.55	186.45	166.48	175.00	198.39	139.92	114.36
Singapore (26)	157.03	+0.2	139.29	141.41	+0.0	1.91	156.76	139.97	141.34	158.22	124.57	111.35
South Africa (60)	135.27	+0.4	119.95	124.50	+0.4	4.17	134.79	120.35	124.06	144.86	115.35	123.46
Spain (42)	153.74	+0.1	136.32	137.96	−0.3	3.56	153.61	137.16	138.31	156.17	143.14	149.39
Sweden (35)	156.62	+0.2	138.88	149.43	−0.2	2.30	156.29	139.54	149.75	162.00	138.45	121.12
Switzerland (57)	72.98	+0.5	64.71	76.57	−0.1	2.42	72.59	64.81	76.68	79.76	72.59	76.40
United Kingdom (315)	146.82	+0.3	130.19	130.19	−0.4	4.36	146.35	130.67	130.67	153.33	134.53	137.62
USA (560)	124.63	+0.2	110.51	124.63	+0.2	3.58	124.35	111.03	124.35	125.97	112.13	103.13
Europe (1008)	118.89	+0.3	105.42	112.17	−0.3	3.59	118.50	105.80	112.48	121.70	114.02	106.93
Nordic (125)	154.05	+0.2	136.60	143.84	−0.3	1.98	153.79	137.31	144.21	155.61	137.95	112.35
Pacific Basin (679)	186.72	+0.2	165.57	159.17	−0.1	0.68	186.39	166.42	159.32	194.72	176.37	168.27
Euro – Pacific (1687)	159.59	+0.2	141.51	140.47	−0.2	1.56	159.23	142.17	140.68	164.22	152.83	143.74
North America (687)	125.14	+0.2	110.96	124.07	+0.2	3.57	124.86	111.49	123.82	126.52	112.79	103.97
Europe Ex. UK (693)	101.54	+0.3	90.04	101.03	−0.2	2.95	101.20	90.36	101.24	105.29	98.84	87.95
Pacific Ex. Japan (224)	132.69	+0.2	117.66	117.86	+0.4	4.29	132.38	118.20	117.37	137.65	123.48	109.17
World Ex. US (1887)	158.49	+0.2	140.54	139.61	−0.1	1.64	158.14	141.20	139.81	162.77	152.04	142.67
World Ex. UK (2132)	145.16	+0.2	128.72	134.96	+0.0	2.03	144.85	129.33	134.95	146.04	138.06	126.44
World Ex. So. Af. (2387)	145.36	+0.2	128.89	134.57	+0.0	2.23	145.04	129.50	134.61	146.65	138.82	127.44
World Ex. Japan (1992)	123.30	+0.3	109.33	119.94	+0.0	3.61	122.97	109.80	119.89	124.65	114.51	105.46
The World Index (2447)	145.29	+0.2	128.83	134.50	+0.0	2.24	144.97	129.44	134.54	146.51	138.83	127.42

ACCOUNTANCY COLUMN

The race is on to replace a rare commodity

By Richard Waters

IF YOU are a graduate being sucked into that great brain drain, the accountancy profession, then look at the person next to you: chances are that he or she is a school-leaver, a German or a computer.

These are some of the answers that accountancy firms are coming up with to the challenge of finding resources to cope with their expected growth over the next decade while the British graduate is becoming a rare commodity.

The impending graduate shortage was thrown into sharp relief in a report from the Institute of Manpower Studies earlier this week.

The 25 per cent drop in the number of 18-year-olds and the introduction of student loans in 1990 signal a falling off in graduate numbers at a time when demand is likely to be growing at an uninterrupted rate. In 1992 the supply will begin to drop, the report says.

The accountancy profession is particularly affected by this. Nearly one in six graduates going into employment in 1987 opted for an accountancy training course. Peat Marwick McLintock took more than 1,000 graduates last year — almost as many as the entire intake into social work.

A number of responses to the shortage are being considered. They include:

● Bringing more school leavers into the profession. Arthur Young is the only large firm to have seriously tried this. It aims to get up to 20 per cent of its annual intake from schools rather than universities.

The school leavers train with the Association of Accounting Technicians. The brighter and more ambitious ones will go on to qualify as chartered accountants.

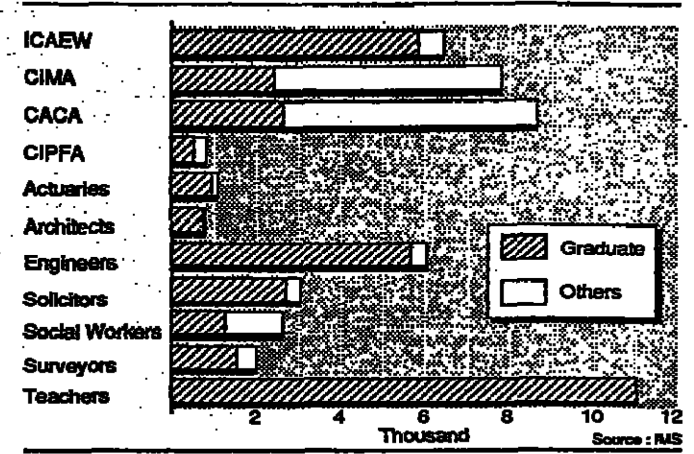
The Institute of Chartered Accountants in England and Wales does not make this easy. Only those with a distinction in their AAT examinations can go on to train as chartered accountants (until the end of last year the rule was even stricter, with a distinction needed in both intermediate and final AAT exams).

Some say this smacks of a restrictive practice, while the ICAEW says that it has a responsibility to only allow people into training contracts if they have a fair chance of qualifying.

Employers seem prepared to bide their time in this situation. "The Institute sets its starting point quite high — we might say, unrealistically high. But then, we want to feel our way in seeing how these things work out as well as the Institute," says Mr John Bowells, head of auditing at Arthur Young.

The crunch, if any, will come when a firm like Arthur Young has young people that it wants to train as chartered accountants who will not be accepted by the Institute. This day is still some way off.

Graduate intakes to selected professions - 1987



Source: IMS

● Redesigning working practices. The emergence of school leavers in audit firms fits neatly with a process of deskilling that is taking place in auditing. As tasks are automated, it is possible to turn more of the work over to technicians rather than fully-fledged professionals.

This also makes life more interesting for the graduates working on audits. They no longer spend their formative years number-crunching their way to a qualification, but are expected to display managerial skills. "Auditing is not the drudgery it was," says Mr Gordon Anderson, chairman of Arthur Young.

The result: accountancy firms may need fewer graduates, but they need to be of a much higher calibre.

This will overturn the traditional culture of accountancy firms, which have always prided themselves on all professional staff having a chance of making it to partner. In future, they will have to cope with a system more like that of an industrial company, where management trainees are identified at an early stage. But perhaps by then the accountancy firms will have turned themselves from partnerships into companies anyway.

● The automation of work is likely to extend much further than the use of portable computers to organise work. Expert systems offer the possibility of duplicating some of the thought processes of highly skilled professionals.

● Recruiting graduates from other European countries. As the shortage of UK graduates begins to bite, firms may look for overseas recruits — thanks in part to the planned mutual recognition of professional qualifications in the European Community.

Peat Marwick is exploring this route. It is helped by its willingness to take general graduates, whereas Continental accountancy firms look almost exclusively to graduates with relevant degrees, says Mr David Clifford, national student recruitment partner.

UK firms have an advantage over their Continental counterparts because a UK graduate can qualify at the age of 24. A German graduate generally does not become fully qualified until the age of 30. It may be possible to attract a young German to Britain to qualify to take advantage of the age difference, says Mr Clifford.

One advantage accountancy firms have over other UK recruiters looking to the Continent is that they have contacts through their local offices. They will escape the problem described by the IMS, of not knowing where to go to recruit or how to make judgments about European graduates.

This cross-border recruitment is going on in other areas, says the IMS — Seimans, Thompson and Philips are recruiting in the UK. The movement of managerial and professional staff is presently away from, rather than towards, the UK: three times as many left for Europe in 1986 than came to this country.

● Most accountancy firms have spent much of the last two or three years looking at their retention rates for newly qualified staff and trying to improve them.

The most obvious is Coopers & Lybrand, which two years ago found it hard to increase staff numbers. For a professional firm whose success depends on its staff base, this was potentially disastrous. Things have since improved — thanks partly to the introduction of company cars for the key group of young, recently qualified staff.

The next few years are likely to be just like the last in at least one way — it will be a wonderful time to be an accountant.

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This is an ideal opportunity for a capable, ambitious individual who must be able to demonstrate a strong desire to be part of a highly motivated and professional management team. The position will suit candidates with a financial or legal background, preferably within industry or commerce, aged late 20's/early 30's.

Tasks will encompass all aspects of the company secretarial function associated with a dynamic and progressive plc in addition to continual involvement in ad-hoc assignments and exposure to senior management.

This is an excellent opportunity to join a lively group and relocation assistance will be provided where appropriate.

Please telephone or write enclosing full curriculum vitae quoting ref: 322 to:
Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

YAMAICHI

Specialist Internal Auditor

City

FSA & SRO experience

Qualified/unqualified accountant

Age to 30

Salary £24-£27K plus mortgage subs, bonuses and generous banking benefits

Yamaichi Securities is one of the world's leading securities houses, with 40 offices spanning 24 major financial centres.

In London, Yamaichi International (Europe) Limited is its European flagship employing over 350 people from twelve countries, and is currently celebrating 25 years in the City.

A key position has arisen in its vital compliance department for an articulate and conscientious specialist internal auditor.

While candidates will probably be qualified accountants, it is more important that they are well-versed in the intricacies of the FSA and SRO rules, in particular TSA.

Male or female candidates should submit in confidence a detailed cv to Mrs Kath Lawrence, Personnel Department, Yamaichi International (Europe) Limited, Finsbury Court 111-117 Finsbury Pavement, London EC2A 1EQ
Telephone: 01-638 5599

Yamaichi International (Europe) Limited
Member of The Securities Association Member of The International Stock Exchange

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Group Management Accountant

Streetwise FCMA

£25,000-£30,000 plus car

This new appointment reports to the Group FD and could lead to significant career development openings. It is with a dynamic and successful industrial group turning over in excess of £150million through some 20 operating companies engaged in manufacturing, engineering and high volume merchanting.

Working out of the head office in Cheshire, the principal role will be to strengthen costing, pricing and management controls across the group and install new systems where necessary. It is a proactive role, mainly in the field, and will also include special projects and troubleshooting and some involvement at peak times in financial accounting areas.

Candidates must be FCMA, probably in their late 20s/early 30s, but possibly much older. They must have had broad management accounting experience, either in a similar role or possibly as financial manager of a small manufacturing company; in either case they must also have the necessary analytical skills and the personal clout to convince top company management.

Initial salary £25,000-£30,000 plus car and excellent benefits package including relocation help if needed.

Please send full career details, in confidence, to D.A. Ravenscroft.

Ravenscroft & Partners
Search and Selection
20 Albert Square, Manchester M2 5PE

AMBITIOUS FINANCIAL ACCOUNTANTS

E. Midlands

Excellent Salary Packages

The Company

The Laboratory Supplies Group of Fisons Scientific Equipment Division serves the needs of scientists throughout the U.K. and worldwide for equipment and consumables. The Group is organized into a number of discrete business units each with their own financial management teams reporting into a central L.S.G. finance function.

The Positions

Exciting opportunities exist in both our Operations area and in Central Group Finance.

In Operations the emphasis is on transactional accounting and financial control of the distribution functions of each business unit, development and enhancement of systems, budgetary control and reporting to meet objectives and timetables and improve profitability and return on capital.

In Central Group Finance the emphasis is on consolidation of results from each business unit for presentation to Group management and Division, as well as the ongoing development of financial models, reporting processes and strategic plans.

The Applicants

Qualified Accountants with at least 3 years' experience within a divisionalised medium to large company.

The Rewards

Excellent salary packages, big company benefits, including cars for some positions, and the chance to join a rapidly expanding and highly successful plc, where your career will develop as fast as your talent allows.

To apply please contact: The Personnel Department, Fisons Scientific Equipment, Bishop Meadow Road, Loughborough, Leics. LE11 0RG. Tel: (0509) 231166.

Applications are welcome from all irrespective of race, sex or disability.

FISONS

Lucas Automotive

Financial Management

Career Development in the Lucas Group

Lucas, the multinational group, is enjoying the benefits of extensive restructuring. Enhanced competitiveness and customer service are bringing increased profits and the group is taking full advantage of the international development of its markets.

A leading division within the group's automotive business will shortly appoint a small number of key financial personnel. The successful candidates will immediately take charge of critical functions either in the Divisional Headquarters in London or in operating companies elsewhere in the UK.

Each candidate will have a planned programme of development offering the experience necessary to move rapidly into the higher echelons of management within the group.

Candidates will be qualified accountants in the likely age range 24 to 32. They will probably already have industrial experience although consideration will be given to outstanding ACAs seeking a first move from the profession.

Candidates should be able to demonstrate strong commercial awareness and a commitment to their own career development. These will be highly visible positions and final selection decisions will be made at director level. Highly attractive remuneration packages reflecting the seniority of these appointments will be negotiated.

To apply, or for an initial discussion, please contact: Anthony Jones, Career Plan Ltd., 33 John's Mews, London, WC1N 2NS, tel: 01-242 5775, (or 01-348 3641 between 7.30 pm and 9.30 pm).

Career plan LIMITED
Personnel Consultants

WTN

FINANCIAL CONTROLLER

Central London c.£30k+car+bonus

Our client, Worldwide Television News, is the world's leading independent television news service company with offices in 14 countries and camera crews operating throughout the world. The company is owned by ITN, American Broadcasting Corporation and Channel 9 of Australia.

The position of Financial Controller offers an exciting opportunity with good career development to work within a rapidly evolving industry. As well as a responsibility for the day to day running of a sizeable accounting function, some travel will be involved to ensure the adequacy of local accounting in the overseas branches.

Candidates aged between 26-32, must be qualified accountants, ideally ACA, either seeking a first move out of the profession or having already gained experience of running a medium-sized accounting function. It is important that individuals are computer literate, have a strong financial systems knowledge and the flexibility to work within a fast moving and informal environment.

Please send brief career and personal details quoting reference F/259/A to Carrie Andrews.

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU

Financial Controller/ Director Designate

Cambridgeshire, c £30,000, Car

An excellent opportunity for an experienced professional to make a major contribution to the management and future development of this new division, part of a highly progressive £400m operation. Future expansion plans encompass significant organic growth, the establishment of joint venture schemes on a UK and overseas basis, and a programme of acquisition. Reporting to the Divisional Managing Director, responsibility will be for the exercise of strong financial controls, the integrity of the accounting systems, and playing a fundamental role in ensuring the future success of the business. Candidates, aged 30 plus, qualified to ACA or equivalent, must have a high degree of commercial awareness, good inter-personal skills and a 'hands-on' management style. General technical expertise, previous involvement in acquisitions and experience of large company requirements are more important factors than possessing any specific commercial or industrial background. The prospects for personal advancement are exceptional. Relocation as necessary to this attractive and accessible location.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *J.H. Wright, Hoggett Bowers plc, 3 Wellington Court, Wellington Street, CAMBRIDGE, CB1 1HZ, 0223-324441, Fax: 0223-323250, quoting Ref: F11095/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD, WINDSOR
A Member of Blue Arrow plc

FINANCIAL CONTROLLER/ DIRECTOR DESIGNATE

Age late 20s or early 30s

Neg. circa £30,000 + car and benefits

An international high technology engineering group wishes to appoint a financial controller/director designate to its U.K. company, based in the northern home counties. The U.K. company's principal activities are the engineering, sale, installation and service of plant manufactured by other divisions within the group in mainland Europe.

Candidates must be qualified accountants, in their late 20s or early 30s, and with the personality to form part of the management team negotiating contracts with leading U.K. companies. They should have experience of foreign currency management, and be capable of directing the installation of an IBM AS/400 series computer and of developing new control systems. Fluency in the German language would be an advantage.

An attractive remuneration package will be negotiated. This position will appeal to ambitious young qualified accountants seeking their first board level appointment.

Applications should be sent in confidence, giving full details of career to-date and of current remuneration, quoting ref. NR/8931, to Patrick Bailey, at:

246 Bishopsgate
London EC2M 4PB

NEVILLE RUSSELL
Management Consultants

FINANCIAL CONTROLLER

ARRAS - FRANCE

HAWKER SIDDELEY
OLDHAM FRANCE S.A

OLDHAM FRANCE S.A. is a subsidiary of HAWKER SIDDELEY Group PLC manufacturing and selling industrial batteries and gas detection equipment from a modern factory complex in NORTHERN FRANCE. The company currently employs about 750 people and has enjoyed consistent growth for the past decade.

Continuing expansion has led to the creation of the function "Financial Controller" responsible for all aspects of costing, management accounting, monthly and annual reporting, budgets and consolidation of the Company's subsidiaries. The controller will report directly to the Financial Director and will head a team of four people.

Candidates should be young, qualified accountants preferably with some industrial experience. Basic knowledge of the French language is essential.

The Company offers an attractive starting salary, plus relocation expenses. ARRAS is an historic town situated in a pleasant rural environment. Housing is readily available and inexpensive. Career prospects are excellent.

Please send detailed CV together with photo and current salary to:

Chris SMITH FCA
OLDHAM FRANCE S.A.
BP 962 - 62033 ARRAS CEDEX - FRANCE

All replies will be treated in the strictest confidence.

Tax Compliance Supervisor

Central London
Negotiable Salary

The Halliburton Company, a major US multi-national and listed in the Fortune 500, operates in the Oil Field Services, Engineering and Construction sectors.

Reporting to the European Tax Manager in London, you will supervise a team responsible for the compliance and audit issues arising from our substantial European operations. This will require, therefore, extensive travel within Europe.

The successful candidate will have considerable experience in UK compliance work as well as knowledge of European tax issues. Candidates should be qualified Accountants with a minimum of 7 years' tax experience and have a working knowledge of another European language.

This is a newly created position in our European Corporate Tax Department, so career prospects are excellent and the salary and benefits package will fully reflect this demanding position.

Please send your full career details to Mike Smith, Halliburton Group, 17 Hanover Square, London W1R 0EL. Please quote reference TC 501.

HALLIBURTON COMPANY

London | Knight Frank & Rutley | 01-629 8171

Central London
Excellent Salary/Benefits

Knight Frank & Rutley is seeking to appoint a qualified Chartered Accountant to supervise the preparation and control of the management accounting information for the partnership.

The successful candidate will report to the Chief Accountant and will have a sound professional, or service company background. He or she will demonstrate sound technical ability combined with a positive personality and a good understanding of computerised accounting systems.

Interested applicants should write, enclosing c.v. to Personnel Dept.

20 Hanover Square, London W1R 0AH.
55 offices in 5 continents.

هكذا من الأصل

Management Consultancy

to £35,000 plus car

YOU:

* are 25-32
* have a good degree and a professional accounting qualification
* learn fast and have achieved results in successful companies, ideally at divisional as well as group level
* understand corporate planning, management accounting and systems and, as importantly, have good commercial experience
* seek new challenge, intellectual stimulation and opportunity

WE:

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8 St. Bride Street London EC4A 4DA

AUDIT MANAGER

UK MERCHANT BANK

ACA Aged 30-35 c£40,000 package

An exceptional opportunity has arisen within this leading merchant and investment banking group which has a well-established presence in the world's major financial centres. With a history of stability of ownership and consistency of management, the group prides itself on being specialised, independent and international.

The role of Audit Manager will be advisory and developmental in nature and will require extensive liaison with senior management and external advisors.

The successful candidate must be capable of recommending and improving operational procedures and controls, and managing, training and motivating staff.

A further responsibility will be to assist in the development of the group's overseas audit programmes. Although extensive travel is not envisaged, there will be a requirement to make occasional visits to Hong Kong, Tokyo, Sydney and New York.

To meet the demands of this position, it is essential that applicants are highly successful graduate chartered accountants. Extensive audit experience, including some at management level, will have been gained either within the profession or in the financial services industry.

Future career prospects within the group are outstanding.

Interested applicants should telephone Fiona McGahan ACA on 01-437 0464, or write to her, enclosing brief details, at the address below.

ROBERT • WALTERS • ASSOCIATES

RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

TOMKINS

BUSINESS ANALYST

LONDON SW15

Tomkins wishes to appoint an ambitious executive whose primary responsibility will be identifying and researching acquisition opportunities.

Applicants, ideally qualified accountants between 26 and 32, should have superior analytical and presentation skills, patience in selecting the best opportunities for shareholders and a flair for determining underlying commercial potential. Self motivation, drive, teamwork and commitment are essential. Excellent scope for career advancement.

Attractive salary package, commensurate with experience, will include share options and usual executive benefits. Please send personal and career details in confidence, highlighting particular talents and experience considered relevant, together with photograph to:

Geoff Eaton
Tomkins PLC
East Putney House
84 Upper Richmond Road, London SW15 2ST

FINANCE DIRECTOR

Harrow-on-the-Hill to £30,000 + car

This is an excellent opportunity to join a small, diverse publishing and communications company as a senior member of the management team. Serving a specialist market sector, the company has enjoyed early success and anticipates steady growth for the future.

The finance director will participate actively in the management of the company as a whole, with specific responsibility for budgeting, financial and management reporting, as well as supervision of staff involved in the day-to-day accounting activities.

Candidates will be qualified accountants with previous management level experience, gained preferably in a small to medium-sized organisation. Well-developed management and motivational skills, combined with superior communications abilities are important attributes. A "hands-on" approach and the ability to work effectively in a team oriented environment are essential.

Please write quoting reference F/509/F to Frances A Bell.

E&W Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU

BANKING OPPORTUNITIES

- □ Corporate Finance
- □ Capital Markets
- □ Treasury
- □ Specialist Finance
- □ Corporate Marketing
- □ Credit/Risk Analysis

If you offer experience in one of the above areas in a **UK or European context** and are currently considering the options, please contact Sue Turner or Richard Lyons for an informal discussion.
25 City Road, London EC1Y 1AA
Telephone: **01 256 5041** (24 hours)

Management Personnel
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Financial Director

To participate fully in strategy, policy and sustained growth.

North West: c £40k + substantial bonus + equity opportunities

Established for 25 years, owned by a highly talented management team and with a blue-chip client base, this construction company has skillfully built a leading niche position in a market with outstanding growth potential.

The result has been truly exponential expansion, a continuously increasing market share and impressive maintenance of profitability. The future promises a possible USM flotation, acquisitions and the establishment of structure and business systems.

An early priority will be the provision and interpretation of financial operating reports. It will be your responsibility to evaluate potential acquisitions and organise the best method of financing them. This is a cash hungry business and the management of cash flow and working capital is critical. Not just a FD you will also be expected to contribute fully in all capacities to set and achieve the company's business objectives.

Probably between 30-40 and qualified, you will have held a senior line management position and will be familiar with the various methods of finance available to a medium sized company. A good leader you will be able to communicate skillfully at all levels. It is essential that you have the drive and ambition to constantly seek out and achieve new goals.

An excellent fully negotiable salary package including substantial bonus, benefits and relocation is available. After proving your contribution to the company a share in the equity will be offered.

Please send your career details, including salary, in strict confidence, to Siân Layzell CA reference 85032.

MSL International

MSL International,
Sovereign House, 12-18 Queen Street, Manchester M2 5HS.
Offices in Europe, the Americas, Australasia and Asia Pacific.

DEPUTY FINANCIAL CONTROLLER

DEPUTY FINANCIAL CONTROLLER

Croydon Store **£25,000 + Car**

Allders, one of the UK's premier department store groups, are looking for a Deputy Financial Controller who is ambitious enough to meet the challenge of a fast-moving retail environment.

Based at our Croydon store you will be working within an experienced team drawing on previous expertise to deal with management accounts up to balance sheet. The ability to organise cash and banking operations and produce detailed budgets and forecasts is essential.

To succeed in this demanding role you will probably be accountancy qualified with a knowledge of Lotus or a similar package. Coping well under pressure you will need to be adaptable and flexible in order to meet the demands of our environment.

For further details please apply in writing, enclosing a full CV, to Mr. David Branson, Financial Controller at the address below.

ALLDERS
of Croydon • Tel: 01-681 2577
North End, Croydon CR9 1SB
ALL TOGETHER A BETTER CHOICE

FOREIGN EXCHANGE TREASURER

Cheltenham c.£24K + Car

The Dowty Group of companies is an international high technology group with interests in aerospace, information technology, electronic systems and polymer engineering. Its main operations are currently in the UK and North America.

Dowty's aerospace companies conduct much of their business in US$ and this is a major contributor to the volume of foreign currency transactions, which currently exceed £120 million per annum. The Group has decided to centralise the management of its foreign currency exposures, which are currently being hedged by the operating companies dealing directly with banks. A Foreign Exchange Treasurer, reporting to the Corporate Finance Director, is to be appointed to install the necessary reporting and record systems, establish working arrangements with the operating companies and analyse and execute the necessary transactions to provide protection to the Group at minimum cost.

Probably educated to degree level and ideally a member of the Association of Corporate Treasurers, you should preferably already be working in industry or commerce in a treasury related area or a similar field within a financial institution.

You will need to combine a good understanding of commercial contracts, and the resulting foreign exchange risks, with a keen analytical mind attuned to seeking out the least costly method of risk protection.

If you are interested please send your CV to Malcolm Green, Personnel Manager, Dowty Group Services Ltd, Arle Court, Cheltenham GL51 0TP. (Tel: 0242 533606).

DOWTY